MAY 1995
$3.00/£2.00

MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

VOL. 47
1

ECONOMIC REMINISCENCES
Paul M. Sweezy

A NOTE ON "MARKET SOCIALISM"
Harry Magdoff

A NOTE ON KERALA'S DEVELOPMENT ACHIEVEMENTS
V.K. Ramachandran

NOTES ON WRITERGATE
Franklin Folsom

05›
42055 79772 5

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CONTENTS | VOLUME 47 NUMBER 1 MAY 1995

REVIEW OF THE MONTH: Economic Reminiscences
by Paul M. Sweezy 1

A NOTE ON "MARKET SOCIALISM" by Harry Magdoff 12

A NOTE ON KERALA'S DEVELOPMENT ACHIEVMENTS
by V.K. Ramachandran 19

NOTES ON WRITERGATE by Franklin Folsom 25

CORRESPONDENCE
E.P. Thompson's Quarrel with Post-1880 Marxism by Jack Weston 35
Correspondence by Roy H. May 37
BOOKS
The Reserve Armies of the Insecure by Bertram Gross 39
Financial Transformation for What? by Paul Burkett 52
Ecostruggle by Paul Buhle 60

MONTHLY REVIEW (ISSN 0027 0520) is a publication of Monthly Review Foundation, a non-profit institution. It is published monthly except July and August, when bimonthly, and copyright © 1995, by Monthly Review. Second-class postage paid at New York, NY and additional mailing offices. POSTMASTER: Send all address changes (Form 3579) to Monthly Review Foundation, 122 West 27th Street, New York, NY 10001.

EDITORIAL AND BUSINESS:
122 West 27th Street, New York, NY 10001. Telephone: (212) 691-2555. Fax: (212) 727-3676. E-Mail: mreview@igc.apc.org. Unsolicited manuscripts will not be returned unless accompanied by a stamped, self-addressed envelope. *MR* is indexed in the PAIS Bulletin, Historical Abstracts, America: History and Life, and the Alternative Press Index, P.O. Box 33109, Baltimore, MD 21218, tel.: (410) 243-2471.

NEWSSTAND DISTRIBUTION:
B.De Boer, Inc., 113 E. Centre Street, Nutley, NJ 07110; Armadillo & Co., 5795 W. Washington Boulevard, Culver City, CA 90232; Small Changes, 3443 Twelfth Avenue West, Seattle, WA 98119; Central Books, 99 Wallis Road, London, E9 5LN, England.

SUBSCRIPTION PRICE:
U.S.: One year $25, students and senior citizens $20; Foreign $29; students and senior citizens $25.
Libraries and Institutions: U.S. $45; Foreign $48.
Additional Postage: First Class (U.S. and Canada $15); Airmail: Foreign $20.

EDITORS: Paul M. Sweezy Harry Magdoff Leo Huberman (1903-1968)
Associate Editor: W.H. Locke Anderson Assistant Editor: Barb Monoian Circulation Manager: Martin Paddio

NOTES FROM THE EDITORS

Can ruling classes understand the societies they rule over? Perhaps in some cases, but certainly not in all and probably not in most. Capitalist societies in particular are structured in a way that makes such understanding virtually impossible. The individuals that comprise the ruling class have a well-defined interest—maximizing their wealth—which they can neglect only at the risk of losing their ruling-class status. But accumulation and concentration of wealth beyond a certain point is incompatible with the proper functioning of the system as a whole. After this point is reached, capitalist societies become dysfunctional, subject to a variety of ills up to, and including, catastrophic breakdowns.

The ideology of capitalist ruling classes was of course developed early on in the history of the system, when it was expanding rapidly and delivering a rising standard of living not only to the upper classes but also to wide

(Continued on inside back cover)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ECONOMIC REMINISCENCES

by PAUL M. SWEEZY

I was introduced to economics in the late 1920s. I took Ec A in my sophomore year, 1928-1929, and Taussig's advanced theory course (Ec 7 I think it was called) in the following year. What we learned was basically Marshallian theory with a little Austrian capital theory mixed in.

Money and Banking was a separate subject that took off from the quantity theory of money and dealt with such topics as inflation and the business cycle, both assumed to be monetary phenomena superimposed on an underlying system of production of goods and services to meet human needs. It was taken for granted in those days that in some ultimate sense this was the purpose of the economic system, even though economists ever since Adam Smith had counted it a cardinal virtue of the system that meeting needs was an unintended by-product of individuals' concentrating on their own private interests.

An economics education of the kind we got at Harvard—certainly one of the best available at that time—was soon shown to fall remarkably short of preparing us to understand what was going to happen a few years later. I am not referring to the crash of 1929 or the subsequent depression. Both were on the spectacular side, but neither was unexpected or unprecedented. The business cycle had been with us for about a hundred years at that time, and the prosperity of the

What follows is a talk given to graduate economics students at Harvard University in November 1994.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1920s was obviously not going to last forever. The severity of the crash and the subsequent collapse were a surprise, but it was not too difficult to give plausible explanations. It was a sharp cyclical downturn, no more. This was the way most observers, including economists, diagnosed the situation in the early 1930s. Moreover, this diagnosis seemed to be compatible with what happened next. The bottom of the depression was reached in 1933, after which a recovery began and continued for several years. Unemployment had risen to 25 percent of the labor force in 1933, so it was obvious that there was a long way to go before the economy would really be back to what was considered a normal condition of relatively full employment. But no one thought in terms of that process being cut short in mid-term. And yet that is precisely what happened. In the middle of 1937, with unemployment still above 14 percent of the labor force, the economy suddenly went into a totally unexpected tailspin. Nothing in their training or past experience had prepared economists of that period for such a development.

I was definitely in this category. I was an instructor and tutor at that time, and in the summer of 1937 I was doing consulting work for a New Deal agency, the National Resources Planning Board. I remember very well the shock caused especially in Washington by what can perhaps best be called a recession within the depression. No one had expected it, and no one had a plausible explanation. The prevailing bewilderment was poignantly expressed by Secretary of the Treasury Henry Morgenthau in a meeting with his staff in November called to discuss a speech he was scheduled to give to the Academy of Social Science: "I need to know what I'm talking about, and where I'm going. Now if they ask me today, I don't know—I don't know what the President's done. He doesn't know because nobody's ever laid this out for him. . . . One of the real reasons that people in this country are so frightened is that they don't know. They don't know where we're going." (Quoted in Dean L. May, *From New Deal to New*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Economics: The Liberal Response to the Recession of 1937 [New York and London, Garland Publishing, 1981], p. 15.)

You may be surprised to hear that as late as 1937 economists, in and out of government, were so baffled by an economic collapse that came in the middle of what they took to be an unfulfilled recovery. Hadn't Keynes's book, *The General Theory of Employment and Money*, published a year earlier, prepared us for the idea of an economy stalled out at less than full employment? And if so, why the all-but-universal shock when the ideal turned into reality?

The answer to this question is not simple, but I think it has significance not only from the point of view of the history of economic thought but also from that of the relation between thought and practice.

It is true that the *General Theory* came out in 1936 and that its publication was treated as an important event; after all, Keynes was the leading figure in the Cambridge school which was universally recognized as the continuator of the great tradition of British economic thought. But the *General Theory* was neither intended nor interpreted as an analysis or commentary on the current economic situation. In the very first sentence of the preface Keynes made this perfectly clear: "This book is primarily addressed to my fellow economists. I hope it will be intelligible to others. But its main purpose is to deal with difficult questions of theory, and only in the second place with applications of this theory to practice."

In the first year after its publication, the *General Theory* was in the process of being digested by the profession. It was practically unknown outside the profession.

But if economic theory, traditional or Keynesian, had done nothing to warn of the coming of the recession of 1937, it certainly cannot be said that the recession had no impact on economic thinking. The very fact of the economy's stalling out with nearly 15 percent of the labor force still unemployed flew in the face of the conventional wisdom of the day. Something was obviously wrong or missing from received doctrine, and here Keynes's new theory fitted in perfectly. One way of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

describing its central message was that the economy could be in equilibrium not only at full employment, but also at various levels of unemployment, or (what comes to the same thing) that the existence of unemployment as such does not set in motion a process leading to its elimination.

Though presented in abstract terms, this theory seemed to supply what was missing and most needed in the middle of 1937, i.e., a convincing explanation of the premature ending of the cyclical upswing that had begun in 1933. It was moreover loaded with practical and political implications. If there was no tendency inherent in the economy to generate full employment, as Keynes argued, then either the state would have to assume this responsibility or the economic system would have to be changed. The only way to avoid one or the other of these conclusions was to reject the theory and offer an alternative explanation.

It was in these circumstances that a serious and potentially far-reaching debate began. The new Keynesian theory had identified the volume of (net) investment as the crucial variable in a private-enterprise economy. If it was large and steady, the economy would prosper and grow. If it faltered, the economy would decline or stagnate. The terms of the debate were well described by the title of Alvin Hansen's 1938 book *Full Recovery or Stagnation?* Neither side really questioned that investment was the crux of the matter, nor was there disagreement that it was the poor performance of investment in the 1930s compared to previous experience that accounted for the persistence of what was already in 1937 being called the Great Depression. What *was* in dispute was the cause of this poor performance. The two sides were represented by worthy protagonists, both Harvard professors of economics. On the one side was Hansen himself, who gave essentially *historical* reasons for the poor performance of investment: disappearance of the frontier, decline in the rate of population growth, and a tendency for innovations to use less capital than in the past. On the other side was Joseph Schumpeter, who saw little merit in Hansen's arguments and put forward

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

instead an essentially *political* explanation of the poor performance of investment, namely, the damaging effect on business confidence and expectations of New Deal reforms and the way they were administered.

It is clear that this debate involved very serious questions about U.S. history and the nature of contemporary society. Some of us at the time, particularly among younger economists, had high hopes for the future of this debate and its possible intellectual and political consequences. Unfortunately, however, these hopes were dashed, not because the potential was not there but because the debate itself was cut short in its infancy by the coming of the Second World War.

There were two moments in the early postwar period when a relapse into depression seemed possible. The first was the precipitous demobilization almost immediately after the end of hostilities. This rough passage was successfully weathered thanks mainly to an outpouring of long pent-up consumption demand. The second was the cyclical downturn of 1947-1948, which at first looked more ominous. It was checked, however, by a new military build-up that had begun as early as 1946 as optimistic hopes for a new era of peace faded. And soon the process of remilitarization was given new and decisive momentum by the Korean War, which erupted in the middle of 1950. (Let me interject here that the Korean War was a turning point not only for the United States but also for Germany and Japan: the much-touted German and Japanese "miracles" both had their origins in a surge of Korean War orders.)

It is extremely important, I think, to understand the next two decades, the 1950s and 1960s. They are now looked back on as golden years, comparable to the best in the nineteenth and early twentieth-century history of U.S. capitalism. The business cycle persisted, but in a relatively innocuous form. Upswings were long, recessions mild and brief, successive peaks and troughs above their predecessors. The Great Depression was forgotten. The great American Dream, that the children of each generation would have a better life than their parents, came back into vogue after the long hiatus of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

war and depression. All seemed for the best in the best of all possible worlds. Ideologues proclaimed the "end of ideology."

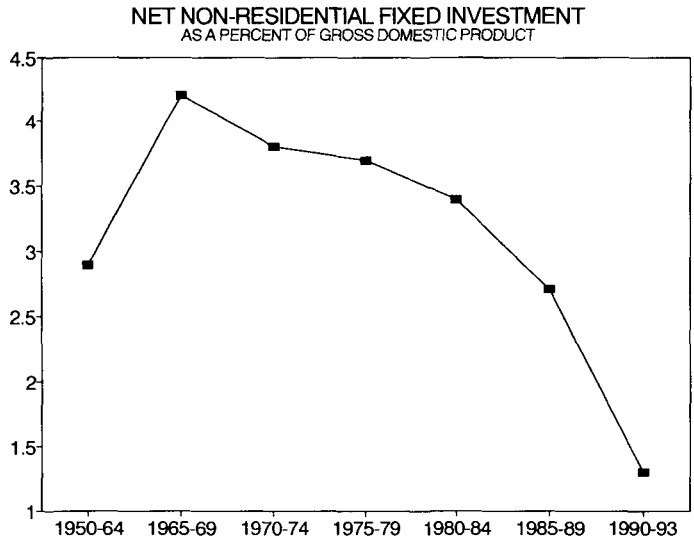
This period of postwar prosperity and national euphoria ended in the 1970s. It had rested on two props, one public and one private. The public prop was militarily oriented. It was put in place at the time of the Korean War and sustained by the Vietnam War and the underlying and continuing Cold War. With its deficits and guaranteed demand for military goods and services, it put a floor under the entire economy. The other prop was a vigorous private investment boom which responded to a whole world of opportunities that arose in the capital-starved aftermath of the Second World War.

Both of these props, the military and the civilian, were weakened at the same time in the 1970s, the one by the winding down of the Vietnam War, the other by the recession of 1974-1975, the most severe since the Second World War. The combined effect was a return of stagnation. Not the stagnation at a low level of the 1930s, because the military prop was still there even if somewhat weakened. But the private investment boom was definitely over, and that is the reason why the 1970s and 1980s were so different from the 1950s and 1960s (see chart on facing page).[1]

Somewhat later the military prop was further weakened by the collapse of the Soviet bloc and the end of the Cold War. Short of another major war, hardly imaginable in the foreseeable future, it seems unlikely that the military prop will regain its former strength.

What about private investment? What is the prospect of a reversal of the downward trend of recent decades? Some people seem to think it is very good. They point to the undoubted fact that we live in a period of very rapid scientific and technological advance, and they reason that resulting innovations should open up huge new investment opportunities. On closer examination, however, this argument turns out to be fallacious. For one thing, the kind of innovations they have in mind, particularly in the knowledge-information-communication area, use vastly less capital than the great innova-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



tions of the past—steam engine, railroads, automobiles—and for another thing, the big corporate enterprises of today can and do finance a large and steady stream of innovations out of depreciation funds without any net investment at all. And it is net investment that counts. No, the kind of private investment boom that played such a decisive role in the 1950s and the 1960s is not likely to come to the rescue of the stagnant economy of the 1990s.

To some people this conclusion may seem to fly in the face of obvious facts. There has been a tremendous amount of activity in the stock, bond, and other financial markets in recent years. Aren't these precisely the channel through which the country's savings are put at the disposal of entrepreneurs who want to establish new businesses or expand existing ones? And if this is so, how come all this activity doesn't show up in the statistics of private investment?

The answer to this question, boiled down to its barest essentials, is that there are two kinds of activity in a developed capitalist economy that are called "investment." One is buying

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

valuable pieces of paper—valuable because they contain promises to pay fixed or variable sums of money under stated conditions—the other is buying real physical assets designed to help in producing goods and services to be sold at a profit. At some time in the distant past it was generally taken for granted that these two forms of investment were tied together: the saver bought the piece of paper from the producer who used the proceeds to buy real assets. Of course, as all well-informed people know, this is not the way the investment process works today. There is in fact no necessary connection between financial investment and real investment. The strange thing, however, is that most economic theorizing today, as in the past, proceeds on the assumption that there is precisely such a connection. This makes theorizing a whole lot easier and simpler. But there is one big drawback: it excludes from consideration and analysis one of the most important developments of the last quarter century.

In the old days finance was treated as a modest helper of production. It tended to take on a life of its own and generate speculative excesses in the late stages of business cycle expansions. As a rule these episodes were of brief duration and had no lasting effects on the structure and functioning of the economy. In contrast, what has happened in recent years is the growth of a relatively independent financial sector, not in a period of overheating but on the contrary in a period of high-level stagnation (high-level because of the support provided to the economy by the militarily oriented public sector) in which private industry is profitable but lacks incentives to expand, hence stagnation of private real investment. But since corporations and their shareholders are doing well and, as always, are eager to expand their capital, they pour money into the financial markets, which respond by expanding their capacity to handle these growing sums and offering attractive new kinds of financial instruments. Such a process began in the 1970s and really took off in the 1980s. By the end of the decade, the old structure of the economy, consisting of a production system served by a modest financial adjunct, had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

given way to a new structure in which a greatly expanded financial sector had achieved a high degree of independence and sat on top of the underlying production system. That, in essence, is what we have now.

What I have been trying to do up to this point is present the barest outline of what Schumpeter might have called a "reasoned history" (*histoire raisonnée*) of the United States from the 1930s to the present.[2] I would like to conclude with a few random thoughts by way of conclusions and lessons to be drawn.

(1) The present economic conjuncture (November 1994) is in the late phase of a cyclical upturn. Of all post-Second World War recoveries, this is the weakest so far. Present indications are that it will give way to recession within the next year or two. It occurs in the overall context of the high-level stagnation that began in the 1970s. Resumption of the kind of vigorous expansion that characterized the early postwar years is very unlikely.

(2) Capital accumulation, the core process of the capitalist system, will continue along lines made familiar in the last twenty years or so—burgeoning finance of an increasingly speculative character on the one hand and weak and unstable real capital accumulation on the other. Economists have as yet made little if any progress in analyzing the interrelation of these two processes. But I think it is safe to say that enough evidence has accumulated in recent years to confirm what today sounds like an ominous prophecy made by Keynes more than half a century ago: "Speculators may do no harm on a steady stream of enterprise. But the situation is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done." (*General Theory*, p. 159)

(3) If my analysis of the performance of the U.S. economy during the last sixty years is accepted, to what policy conclusions does it point? My personal preference, as some of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

you may know, would be to substitute for our present economic system one based on public ownership of the means of production and planning to meet the needs of all the people. But while I think the time will come when this will be debated as a serious option, it certainly is not now and won't be any time soon. The question should therefore be reformulated: what could be done within the framework of the private-enterprise system to make it work better?

There are, in my judgment, at least two indispensable changes that would have to be made. First, there must be a relatively large sector of the economy—of the order of 20 to 25 percent of the total—that is publicly financed and controlled. Something of the kind has indeed been in existence since the Second World War in what Eisenhower dubbed the military-industrial complex. As I argued above, it was this militarily oriented public sector that put a floor under the economy and eliminated the threat of a return to the low-level stagnation of the Great Depression. With the Cold War over and only one superpower left, however, the military can hardly be expected to play this role on a permanent basis. What would be needed instead would be a new and large-scale permanent public sector devoted to doing things that capitalism, as the historical record clearly shows, has never been able to do—housing people, cleaning up the cities, caring for the environment, etc.

The second indispensable change needed to make the private-enterprise economy work better is a redistribution of wealth and income toward greater equality. We live in a period in which an unprecedented and growing share of the society's income accrues to corporations and wealthy rentiers, while the share of the underlying population stagnates or declines. This implies a permanent imbalance between society's potential for adding to its stock of capital and its flagging consuming power. Under these circumstances, private investment can never hope to recover the role it once played (and probably still does in the economics textbooks) as a reliable engine of growth in the capitalist economy. It will no doubt be said that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the powers-that-be in this society will never contemplate, let alone implement, any scheme aiming at a more equal distribution of income and wealth. This is certainly true now, but must it always be? It is reported that Joseph Kennedy, the founder of the Kennedy dynasty, said in the middle of the Great Depression, when things looked bleakest, that he would gladly give up half his fortune if he could be sure the other half would be safe. It never got quite that bad, but who knows what will happen in the future? Would the capitalist class as a whole, *in extremis*, be willing to give up half of what it has to save the other half? I have a feeling that the fate of the private-enterprise system may depend on the answer to this question.

NOTES

1. While the data on net non-residential fixed investment do not give the whole picture on the growth of capital, they do cover the largest and most significant component of whatever real capital expansion takes place. And for that reason the persistent decline in net investment since the end of the 1960s tells a great deal about the return of stagnation that characterized the 1970s and 1980s.
2. Schumpeter used the term in an essay on Marx in his book *Ten Great Economists*, referring to the underlying purpose of Marx's scientific work.

Happy Days are Here Again

Don't do anything yet. But start salivating. The tax bill passed Wednesday by the House of Representatives could turn out to be the biggest tax-saving bonanza in years for upper-income Americans. And everybody else? There are also a few benefits for investors with thinner wallets.—*Wall Street Journal*, April 7, 1995.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A NOTE ON "MARKET SOCIALISM"

by HARRY MAGDOFF

What follows was motivated by a special request to review a recently issued book: Why Market Socialism?, *edited by Frank Roosevelt and David Belkin (Armonk, New York: M.E. Sharpe, 1994, 392 pp. Hardcover $52.00, paperback, $21.00). The book is a collection of articles published in* Dissent *as part of a series devoted to the search for a vision of a workable democratic socialism. After some consideration, we decided that a review was not practical. The book contains contributions by twenty-one authors with a variety of views. A serious discussion of the content of even a selection of the articles would go far beyond the size limits we set for book reviews in the limited space available. There was also another obstacle. Our perspective on the issues raised in the book is so different from that of the contributors that a proper treatment of the subject would require the kind of major essay we are not able to undertake at this time. We gave our reasons for not complying in a letter to our friend and co-author of the book, who had invited a review. Among other things, the letter contained some observations on how differently we view the "market socialism" issue. That portion of the letter (slightly edited) is presented here on the assumption that it might interest* MR *readers.—The editors*

I would like to use this occasion to try to explain why we feel estranged from the topic. Let us agree that a vision of socialism is needed, a vision that has a universal inner essence but is also subject to considerable variety in the concrete, depending on place and time (the obvious differences between a social revolution in Ghana, Mexico, or the United States). From my perspective, choice of market vs. plan is a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

secondary matter, not, as so many of the authors in the book believe, at the heart of the vision. A broader set of goals needs to take precedence. What kind of market, how much market, what kind of plan, how much plan are questions which have to do with how best to advance the main goals. In the final analysis, we surely agree, socialism will not be socialism unless the people are involved in the selection of both aims and methods, with adequate arrangements for change in a process of trial and error. I will try to explain why I think the broader vision needs to take precedence. For this purpose, I propose that a socialist vision of the United States would encompass the following: (1) A society which gives first and predominant attention to the poorest, the discriminated, and the disadvantaged. (2) A moral society which behaves as a good citizen of the world. (3) An economy that operates in harmony with nature. (4) A country with open borders.

What have the market and the price system to do with this vision? With respect to (1), let us first consider housing: (a) homes for the homeless, and (b) changing the slums of this country into a habitat for humans. Apart from the temporary makeshift arrangements for the homeless that even a decent capitalist society can make, I doubt that adequate, humane housing for *all* can be provided as long as essential aspects of the marketplace are in force. I can't see how the housing problem can be properly solved without a zero price for land, the cancellation of accumulated mortgage obligations, and the elimination of other economic relations that facilitate speculation in the buying and selling of residential facilities. For one thing, the advantages of high risers in private, public, and semi-public housing would be reduced. Market relations would then not stand in the way of constructing decent-sized structures appropriate for community life, as well as providing plenty of public space for parks, sports, child-care centers, medical clinics, schools, cultural facilities, etc. What has been said so far comes under the rubric of giving first priority to the most oppressed. But that won't be all that is needed to meet that objective. Enough jobs at good wages

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would have to be generated for the "excess population"—excess, that is, in a labor market that does not need them. From what I understand of the U.S. economy, the experience of the WPA, and the nature of the global unemployment crisis (so defined by the ILO), the bulk of the jobs with decent wages would have to come from the public sphere. The market, socialist or otherwise, cannot be relied on to create enough good jobs which would be financed by the scale of the goods and services they produce (especially if all four of the above "vision" items were followed). Hence, the public sphere's share of the job market would have to keep on growing. An overwhelming proportion of the economic surplus would then have to be garnered and used in ways unsuited to and unguided by the market. If so, central planning would be essential. This does not necessarily mean exclusive central control over the disbursement of the surplus; political and pragmatic elements would influence the extent to which the center, regions, and local communities participate in the planning process and in administering the use of the surplus.

Item (2) of the vision would call for even greater and more radical changes in this country's economy. The United States, with 5 percent of the world's population, consumes 20 percent (or some such disproportionate share) of the world's nonrenewable natural resources. As a responsible and moral society, the consumption of these materials would have to be drastically reduced to leave a fair share for the "third" and "fourth" world countries. Much would then need to be changed in our country. For example, we could not continue to operate with the use of about 700 autos per 1,000 people. I don't think it is necessary to elaborate on the drastic changes the diminished use of autos would bring about: enlargement of alternative transportation facilities, altered designs of cities, revised location of industry, public and private services, etc. Of course, much more than auto production and consumption would need to be reduced if we stopped hogging the world's resources. But there is enough to think about if we focus on autos. It should go without saying that the market

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will be of no use for this new direction. There are no price or tax gimmicks for such drastic changes. This was clear enough during war production years, when business leaders agreed with us eggheads that a direct, enforceable government ukase to stop the production of autos for civilian use was the only way to go.

Item (3) imposes additional requirements which are outside the competence of the market. For this goal, as for item (2), growth would need to be curtailed or controlled—the very opposite of the necessary logic of the market, whether capitalist or socialist. Proper environmental protection for present and future generations would call for changes in agricultural, forest, and industrial practices that would at best reduce profits while in many situations leading to bankruptcy in the absence of government subsidies. For the sake of the environment, some factories would need to be shut down, others relocated and downsized, in defiance of sound financial accounting. Above all, a much simpler life style would be needed in the rich countries for the sake of preserving the earth as a place for human existence.

Item (4) would also create obstacles for the success of market socialism. Could a socialist society tolerate police patrolling the border with Mexico with guns and dogs, or naval patrol boats returning Haitian refugees? Unrestricted movement into and out of the country would undoubtedly end up in waves of immigrants into the United States, for whom jobs, homes, education, and medical care would need to be provided.

The transition to a society with the goals here specified would involve a reduction in the living standards of sectors of the population and for all a quite different view of the good life. A revolutionary transformation of this magnitude could hardly be contemplated unless a dominant proportion of the population understood what was at stake, wanted the conversion, and was willing to participate in its creation. Enormous cultural, political, and economic obstacles would stand in the way. As for the reallocation of resources entailed, there is no smooth, painless procedure. For sure, the market could not be

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reasonably expected to do it, even if one takes a long, long view. How could it possibly be achieved without central planning? (The kind of central planning, controlling the distribution of resources to regions and local communities, is another matter.)

The underlying assumption of the essays in *Why Market Socialism?* is that central planning *inevitably* requires bureaucratic control over every detail of production and distribution. This, I believe, is an unwarranted assumption abstracted from the history of past socialist countries. Moshe Lewin speaks about the disappearance of planning within the plan from its earliest days in the Soviet Union. Detailed centralized control is not a necessary feature of central planning, but the result of politics, class interests, arbitrary command decision-making—all of which wreaked havoc with attempts at consistent planning. Furthermore, there is no necessary contradiction between central planning and the use of the market for the distribution of consumer goods and a variety of intermediate production goods. Nor does central planning necessarily exclude "businesses" run by cooperatives, communities, family farms, or private small firms. What matters is whether the market is relied on as the guide for the allocation of resources, and/or is permitted to sabotage the socialist transition.

My impression of the essays in the book is that by and large, despite protestations to the contrary, the vision the authors have in mind is a nice, humane, regulated capitalism. Heilbroner sums it up nicely in his foreword: "Socialisms therefore constitute a kind of ongoing experiment to discover what sorts of arrangements might repair the damage wrought by the existing social order." The essays by and large are concerned with issues which are germane to a capitalist society: how to get improved growth, start new enterprises, improve efficiency, encourage innovation and competition. Do the people of the United States need faster growth, except for the fact that it is the only way to create jobs in a capitalist society? Are more profit-making enterprises needed? To do what—produce more cars, ferrous metals, plastics, paper;

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

provide services of lawyers, bill collectors, real estate operators, and brokers? Why do we need improved efficiency? Efficiency for what, and by what standards? Why not less efficiency—shorter workdays, shorter work weeks, longer vacations, relaxation time during dull work routines? We are a rich country with enormous potential for improving the quality of life for *all* the people, as long as the ideal standard of life is not taken as that of the upper middle class. The innovations needed are not more gadgets or information highways, but the enrichment of education, medical care, room for the creative urges to flourish—alas, not grist for viable ventures in the marketplace.

The frame of reference of the essays is clearly far removed from the affairs of the underdeveloped countries. And I wonder how relevant the framework is for the industrialized world; surely not for the United States, where a gigantic financial superstructure, speculation, bigger and better office buildings, sumptuous shopping malls, advertising, sales promotion, and a slew of wasteful antisocial enterprises rule the roost. Is this the allocation of resources that market prices signal? I was somewhat surprised at the notion, repeated in various essays, that market prices might become useful guides to a "good" allocation of resources, and even provide information by which the population can judge policies. In my book, prices are the resultant of history and social forces (for example, the determination of raw materials prices, slavery, colonialism, and other imposed imbalances in power by force and market relations); the price of land and other commodities as affected by the way cities were built, industries located, and government subsidies. Prices have much to do with the distribution of income, the infrastructure, the structure of the economy, the power relations between different sectors of society—and what happened in the past. Is there an objective basis to the fact that the wages of textile workers are half those of automakers? Market prices serve to reproduce what exists: the arrived-at allocation of resources, the distribution of income, including the differences in workers' incomes and the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exploitation of the underdeveloped countries. They set limits to what the market can do. Prices or some other accounting measures are of course needed in any complex society, whether planned or "free." But if market prices are to serve as guides to an allocation of resources that serves the aims of social justice and morality, then it would be necessary first to reorder the social relations within the society, achieve equitable terms between the nations that buy and sell raw materials, start on the road to equality and the abolition of classes, and provide plenty of latitude for the creation and use of a healthy surplus for nonmarket activities. Then, perhaps, the resultant price schedules might assist in guiding the economy.

(*Continued from inside back cover*)

capitalism, so vividly revealed by the Great Depression of the 1930s, was forgotten. No ruling-class successor to Keynes emerged to diagnose what was happening and to warn of what surely lay ahead. Mainstream economists, totally lacking in historical perspective, retreated into a world of abstract models where they could vie with one another for academic honors and Nobel prizes. Politicians and pundits, pandering to what they imagined the voting public wanted to hear, have sunk to a new low of confusion and demagogy. Nowhere is this more evident than in the new wave of deficit-bashing and budget-balancing released by the recent Republican success at the polls (commented on in last month's Notes From the Editors). Even such an intelligent and generally level-headed businessman as Felix Rohatyn has joined the chorus. In an op-ed piece in the *New York Times* (March 31), Rohatyn first describes himself as "a Democrat, a liberal, a believer in the New Deal and in government's ability and duty to improve the well-being of its people." But he then confesses a few lines later that he has now become a "fiscal conservative—a balanced-budget liberal."

The trouble with this can be stated quite simply: without the large and mostly increasing deficits of the last twenty years, the stagnation of this period (compared to the previous period) would have been much worse. During the last three years of cyclical upturn it has been possible to reduce the deficit somewhat, but if a serious attempt is made to continue reducing it after the next downturn (probably not later than 1996), the result is likely to be a full-fledged depression. The truth is that by this time, this economy, like most other capitalist economies, is hopelessly addicted to deficits. Ruling classes had better stop dreaming about eliminating them and start thinking about how to live with them.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A NOTE ON KERALA'S DEVELOPMENT ACHIEVEMENTS

by V.K. RAMACHANDRAN

The most conspicuous feature of the Indian economy is that hundreds of millions of India's people live in conditions of appalling deprivation—in conditions of hunger, ill-health, homelessness, illiteracy, and subject to different forms of class, caste, and gender oppression. Among the states of India there is, as is now well-known, one state—Kerala—whose performance in the spheres of social and economic development has been substantially better than the others. Kerala's accomplishment shows that the well-being of the people can be improved, and social, political, and cultural conditions transformed, even at low levels of income, when there is appropriate public action. In Kerala, the action of mass organizations and mass movements against social, political, and economic oppression and the policy actions of governments have been the most important constituents of public action.

The achievements of the people of Kerala are the result of major social, economic, and political transformations. These changes have roots in Kerala's history, but they were also, in an important sense, achievements of public action in

V.K. Ramachandran is an associate professor at Indira Gandhi Institute of Development Research in Bombay, India. This article is from a longer essay on Kerala's development achievements that will be published in Jean Dreze and Amartya Sen, eds., *India: Social Opportunity and Public Action*, Oxford: Clarendon Press. For more on Kerala see the January 1991 issue of *MR*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

post-1957 Kerala (the present state of Kerala was established in 1956, and the first government, a Communist government, took office in 1957). They were possible because there was mass literacy; because agrarian relations were transformed; because there were important changes in the conditions of unfreedom of the people of the oppressed castes; because of enlightened social attitudes toward girls' and women's survival and education, and because of the public policy interventions of governments in Kerala. All of these conditions are replicable.

There has been a progressive transformation in Kerala of the health and demographic conditions characteristic of less-developed societies, and the state is far ahead of the rest of India in respect of these conditions. According to current data, the expectation of life at birth of males is 71.2 years, against an Indian average of 59.1 years, and the expectation of life at birth of females is 73.7 years, against an Indian average of 60.4 years. The birth rate in Kerala was 18.5 per thousand in 1990-1992, against and Indian average of 29.5 per thousand. The death rate was 6.1 per thousand against an Indian average of 9.8 per thousand. The infant mortality rate was 17 per thousand against an Indian average of 79 per thousand, and there were 1,040 females per thousand males in Kerala's population, against an Indian average of 928.

The ratio of medical establishments to population is substantially higher in Kerala than the rest of India. In an area of mass literacy, and where social and political consciousness are high, people demand more health facilities, use the health system more, and use it better. Recent data indicate that the rate of immunization of boys and girls is higher than elsewhere and the immunization is not determined by the level of income. While the evidence is of progressive change in the pattern of morbidity and of improved facilities to deal with illness, medical evidence also indicates that much remains to be done to control the incidence of water-born and air-born infections in Kerala.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Nutrition levels improved in Kerala after the 1970s, and, according to official data, household consumption levels were higher than the Indian average by the late 1980s. The public food distribution system, the best among India's states, gives basic nutritional support to the people of Kerala. There is a two-tier system of public distribution of essential commodities. The system was extended and consolidated from the second half of the 1970s. Of the population of the state, 90 percent held ration cards (which entitle households to buy subsidized rice, wheat, sugar, cooking oil, and kerosene), and the average amount of food-grain bought from ration shops by an individual in Kerala was 69.6 kg in 1991. The corresponding figures for Uttar Pradesh and Bihar in 1989 were 6 kg and 8 kg.

Kerala is the only state in India where there is mass literacy (and near-total literacy among adolescents and youth), and the proportion of child workers in the population is the lowest in India. Kerala was the only state of India where the socioeconomic arrangements were in place to absorb international advances in the last three decades in epidemiology and public health.

The people of Kerala have altered radically a system of agrarian relations that was among the most complex, burdensome, and exploitative in India, and have won important victories against some of the most monstrous forms of caste oppression in India. Public action in recent decades has narrowed the gap in health and educational facilities and achievements between the districts of the north and the districts of the south, a gap that had widened during the period of colonial rule. The modern state of Kerala has also introduced a series of interesting protective social security measures that attempt to provide pensions and other payments to working people in the so-called "informal" sector, and to destitute and physically handicapped persons.

The case of Kerala is an outstanding example of the importance of literacy for social and economic progress. Widespread literacy was a condition that preceded every

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

major health and demographic achievement of the people of Kerala. The achievement of mass literacy in Kerala required—just as the achievement of mass literacy in India will require—mass schooling. Mass literacy was not achieved in Kerala until basic caste, gender, and class obstacles to literacy were overcome; that is, until literacy was gained by people of the oppressed castes, by women, by the working people, and by the rural and urban poor. The case of Kerala is also an important example of women's achievement in health and education and of women's agency in development.

It is necessary that we remember that there are many people in Kerala's population among whom conditions of education and health are unacceptably poor, and are far behind the rest of the population: among them are sections of the people of the scheduled tribes (particularly in north Malabar), of the fishing communities, and of the scheduled castes. Among them are also the members of the new underclass of migrant workers (mainly from Tamil Nadu) who work at a wide range of manual tasks in contemporary Kerala.

With regard to specific features of Kerala's modern history, in nineteenth-century Kerala missionary activity and government policy in the princely states (particularly Travancore) played a foundational role in establishing a climate of official support for education and public health. The pervasive influence of the matrilineal system was important in determining social attitudes toward women's survival, women's education, and women's health. In the late nineteenth and early twentieth centuries, social reform organizations of people of the oppressed castes emerged as pioneers of anti-caste social reform and as the first organizers of democratic sociopolitical movements among rural working people. The mass political movements led by the Communist Party from the 1930s and the Communist governments that came to power in 1957, 1967, 1980, and 1987 were crucial agents of sociopolitical change. When the state of Kerala was established in 1956, the Communist Party was the only political organization in the state with a program for socioeconomic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and political change. Despite its relatively short periods in the leadership of government in the state, it is the Communist Party that has set the basic legislative agenda of the people of Kerala.

The crisis in the spheres of employment and material production are perhaps the most pressing economic problems in Kerala at present. The present situation of a low-growth economy is neither desirable nor politically viable (and it is no surprise that transforming the conditions of production in the economy is the task that senior representatives of the left in Kerala's polity see today as their most important task). Kerala's development experience and Kerala's development future are matters of great importance for the left in India and internationally. Working within the constraints imposed by the Constitution of India and by hostile central governments, the left in Kerala has mobilized the people for kinds of social change unprecedented in the rest of the country. It is now clear that the tasks of increasing employment and production (and transforming production conditions and the relations of production) have to be principal components of the next phase of Kerala's development. This transformation, however, must build on, consolidate, and extend the achievements of the past, and not undermine (or liquidate) the gains of a long history of public action in order to impose a capitalist market-driven income-growth-alone strategy of development on the people. Such a new phase of economic development has special resources on which to draw. Kerala has extraordinary natural resources, a basic land reform, an educated, skilled, and politically conscious workforce, and unique achievements in the spheres of health and education. It has a strong Communist Party, the Communist Party of India (Marxist), and left political movements that are sensitive to issues of development and growth, that has set itself the task of building social consensus on the left and among progressive people for economic development and sociopolitical change, and is active in the movement to create new institutions of local government in the state.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Socialist transformations cannot be achieved in single states of the Indian Union with a capitalist-landlord government in power in New Delhi; the task of the left, as the Communist movement perceives it, is to build "a new Kerala in a new India."

To reiterate the major conclusion of this paper, Kerala's achievements were possible because of mass literacy and because traditional patterns of gender, caste, and class dominance were transformed radically. In the conditions of contemporary India, it is worth remembering that public action, and not policies of globalization and liberalization, was the locomotive of Kerala's progress.

BESTSELLERS FROM BLACK ROSE BOOKS

MANUFACTURING CONSENT
Noam Chomsky and the Media
Mark Achbar, ed.

This book charts the life of America's most famous dissident, from his boyhood days running his uncle's newsstand in Manhattan to his current role as outspoken social critic. Includes: interviews and correspondence; a transcript of the award-winning film; filmmakers' notes; a resource guide; more than 270 stills; and 18 'Philosopher All-Star Trading Cards'.

An excellent introduction to one of the few critics of the establishment who doesn't secretly want to join. **Village Voice**

For those who find Chomsky's name familiar, but can't call his theories readily to mind, this book is an intellectually challenging crash course. **Los Angeles Times**

264 pages, 270 illustrations, bibliography, index, ISBN: 1-551640-02-3 $22.99

HOT MONEY
and the Politics of Debt
R.T. Naylor

Introduction by Leonard Silk, former-financial editor of the New York Times

A ball of hot money rolls around the world seeking anonymity and political refuge. It rolls through shell companies, numbered accounts, phoney charities. And as the ball of hot money grows, so, too, does the international debt crisis. For hot money and the international debt are two sides of the same devalued coin.

As conspiracy theories go, here is one that is truly elegant. It involves everybody. **Washington Post**

510 pages, index, ISBN: 1-895431-94-8 $19.99

Order Toll Free 1-800-565-9523

BLACK ROSE BOOKS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTES ON WRITERGATE

by FRANKLIN FOLSOM

As Hosannas over the collapse of the left fill the air, I have been taking a hard look at the League of American Writers (LAW), an organization in which many bright, opinionated, influential people were involved from 1935 through 1942. It was also an organization in which J. Edgar Hoover took a deep interest. A report he had before him on 4 August 1941 read: "A good majority of the outstanding American writers at one time or another participated in the League's activities."

By 1939, the League did have among its members more than 800 of the country's best writers, and it did indeed attract a good deal of anti-left attention. However, before I read 1,000 pages of the file that Hoover kept on it I had not realized how much significance the political police had attached to the organization I served as executive secretary for five of its seven years of life. Later, when I riffled through thousands of FBI pages on its members, I saw that the League is not a bad place in which to look for clues to the cause of the failure—and the future—of the left.

The League began in the midst of the Great Depression. Time and again it intervened on the political scene on behalf of labor, minority groups, and civil rights. It did much to

---

Franklin Folsom has excerpted this article from his book, *Days of Anger, Days of Hope: A Memoir of the League of American Writers, 1937-1942*, published in July 1994 by the University Press of Colorado.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

support jobs for unemployed writers on the Writers Project of the Works Progress Administration, which was part of the stunning renaissance in the arts that erupted in the 1930s.

At the same time, Hitler's and Mussolini's activities in Europe threatened all culture, and the League mobilized writers to do what they could in this frightening emergency. It acted in support of the elected government of Spain when it came under attack by invading forces from Germany and Italy, and the revolt of the domestic military.

After the fall of the Spanish Republic, a committee sponsored by the League helped Spanish intellectuals reach safety when they had to flee their homeland. At the same time, it helped to save the lives of scores of writers who had to escape from Germany, Austria, Italy, Poland, Czechoslovakia, and France. Many of these refugees could not get assistance from the mainstream relief organizations because they were, or were suspected to be, communists. These organizations were so affected by the anti-communist hysteria, which Hoover had done much to whip up, that they were willing to leave leftist writers to be killed by the Gestapo.

As members of the League focused on rescue work and other services that were designed to contribute to the welfare of their colleagues and citizens generally, they were somewhat aware that the FBI might be monitoring their activities. They could not know, however, many specific details of this surveillance—and intimidation—until the Freedom of Information Act gave them access to at least a portion of the FBI files. I did make a guess about break-ins at the League office, which I like to think of as Writergate, so I wasn't surprised when I found one that was reported in excessive detail to J. Edgar Hoover: "There is transmitted herewith one roll of Kodak film, 35 millimeter film taken with a Graflex photorecord camera at 1/2 second F11. This film has been developed at the New York Field Division. The photographs contained herein were secured through a confidential source who had access to the files and membership list of the above named organization."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The FBI spied not only on the League, but also on its individual members. At the same time, the House Un-American Activities Committee (HUAC) badgered the League in public. At one HUAC hearing, Walter S. Steele, a professional red-baiter, testified against the League, which he called a "Communist front."

There were indeed Communists, including myself, among the League members. They were a small minority, but they were well organized and they did a lot of work aimed at stopping the spread of fascism. The Communist Party itself, at that time, took a lively interest in literary questions—something the Republican and Democratic parties definitely did not do, although President Franklin D. Roosevelt was for two years an honorary member of the League. Only when we protested government raids on homes where volunteers had been recruited to fight against fascism in Spain did he resign. The League supported what it considered good aspects of Roosevelt's New Deal, but at the same time it opposed his acquiescence in the massive aid Hitler and Mussolini gave to Franco.

Long before this, however, J. Edgar Hoover, with a large crew of agents and informers, had begun to keep close watch on League members and on other writers he thought showed signs of having ideas he considered subversive. Natalie Robins has called attention to this surveillance and intimidation of writers in her book *Alien Ink*, and in articles in *The Nation* (October 10, 1987; April 9, 1988). So has Victor Navasky in *Naming Names* and Herbert Mitgang in *Dangerous Dossiers.* However, none of the three focused on the LAW, which was of particular interest to Hoover. He, we must remember, shared Hitler's desire to rid the world of nonconformity, including in the first instance, Communism. These and other studies of the use of power against pen have also largely overlooked the files on anti-fascist refugee writers who sought political asylum in the United States after Hitler drove them from their homes. Many of them could not stay in—or even near—the United States because of their real or supposed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Communist ties. They had to move on to some other country in the Americas, usually the Mexico of Lazaro Cárdenas.

I knew that one or another branch of the U.S. government often harassed exiled writers who managed to stay in this country. But I confess I was surprised to find in the FBI files reports of intense surveillance, by U.S. agents, of refugees outside the United States. The file on Ludwig Renn interested me especially because I had known him when he visited this country in 1937.

Renn was a German aristocrat who had been born Arnold Friedrich von Golssenau. In the First World War he had served as an officer in the Kaiser's army, and later worked for a while in the German security police. In 1928, disillusioned with the military, he wrote a novel, *War*, and joined the Communist Party. When Hitler took power Renn was imprisoned and kept in solitary confinement for most of two years. After his release he fled Germany and in 1936 he put his military expertise at the disposal of the Spanish government, which made him Chief of Staff of the International Brigade in its army. To arouse support against Franco, the LAW arranged a speaking tour for Renn and he gave sixty lectures in this country on the war in Spain.

After the end of that war, Renn lived underground for a while in France while he wrote *Warfare: The Relation of War to Society*, published in 1939 by the Oxford University Press. Then he escaped to Mexico, where he became head of two anti-Nazi organizations—Free Germany and the Latin American Committee of Free Germans—that attempted to unite all German refugees.

It was reports on these organizations that made up much of Renn's FBI file. The United States was at war with Hitler, and U.S. government agencies, one would suppose, might have welcomed support of this kind. Nothing in the file on the anti-Nazi Renn suggested that he was doing anything to harm U.S. interests, but the U.S. office of censorship opened and copied his mail as it crossed the Mexican border. Hoover was informed, for instance, that Renn wrote Thomas Mann

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

thanking him for a gift of two books. Other reports reveal that Renn's office was "under the constant care of an armed watchman who neither drinks nor has proved amenable to bribing." That information came from the Civil Attache of the U.S. Embassy in Mexico. He even sent specimens of Renn's typing and handwriting to the FBI laboratory to be tested for evidence that secret ink might have been used in order to transmit secret messages. The results of the tests were negative.

Paranoia of this kind was not new at the headquarters of the political police in Washington. As long ago as 1920 Hoover had created what became known as the Book Review Section, which has been noted by Natalie Robins. What did the files in this section reveal about books by the anti-fascist writers in the LAW? Because many of the pages were largely blacked out, and because the FBI has been so slow in producing them, I have not made a full survey of its book reviewing. But here is a sample:

In 1923, Upton Sinclair, later a vice-president of the League, complained vigorously in a long telegram to the FBI that the agency was interfering with his right to freedom of speech. Sinclair had been scheduled to talk about his novel, *The Goose Step*, at a meeting of the University Club in Pasadena, California. The engagement was canceled when the chairman got information that Sinclair was "disloyal to the government" and was "under constant surveillance." What Sinclair did not know was that FBI had in its file a report on another of his novels, *The Brass Check*. The book was, said the report, "a Socialist commentary upon American journalism" that "attempts to show that the press is capitalized." Nor did Sinclair know that the directing manager of the Associated Press, according to a memorandum in the file, "has in his possession a confidential report on the book, *The Brass Check*." (Another item in the Sinclair file provides a sad contrast to Sinclair's earlier protest. In a letter, written in 1952 during the McCarthy period, he humbly asks Hoover to check his anti-communist novel, *The Return of Larry Budd*. Hoover obliged and had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

eleven single-spaced typewritten pages full of "corrections" and suggestions sent to the author. Sinclair, of course, had long since resigned from the League. He did this at the time when attacks on it were particularly heavy.)

I skip now to an interview, dated 3 March 1941, which dealt with *Faith for Living* by Lewis Mumford, a League member but not a very active one. Mumford is described as being "an intellectual agnostic," and "a little farther to the left than the exiled writer Thomas Mann." A long, bored summary of his book ends, "the author's prescriptions [for the ills of democracy] go on ad infinitum."

As I searched I couldn't help noting that Rex Stout's file contained a long hostile review of his *The Doorbell Rang* (Viking Press, 1965), a detective story that is very uncomplimentary to the FBI. J. Edgar Hoover could not abide criticism, but what did he do about Stout's picture of his agency? I found a memorandum from Hoover to someone unidentified who apparently was an FBI official, instructing this person that he/she could "diplomatically" say "Stout has been a member of, affiliated with, or has lent his name and prestige to numerous organizations which have been affiliated with Communist groups or identified as Communist fronts." Hoover, who had done much to make this country paranoid on the subject of Communism, was adroitly labeling Stout a Red, although Stout was a vociferous anti-Communist—and, incidentally, anti-LAW. Ironically, Stout, when he was about to become a government official as head of the Writers War Board, had dealt the *coup de grace* to the LAW. He aggressively sabotaged a Writers Win-the-War Congress that the LAW had initiated, thus bringing the LAW close to bankruptcy.

As the FBI would say, also "pertaining to the above captioned subject" was information I found in the file on Erskine Caldwell, a League vice-president. In 1942, Caldwell published *All Out on the Road to Smolensk*, an eye-witness account of Soviet resistance to the Nazi invasion. The FBI review of the book began: "Erskine Caldwell, a well-known pink American author," and ended "on the whole the book is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interesting." Hoover recommended that "this individual be considered for custodial detention in the event of a national emergency."

The file on Theodore Dreiser, who was honorary president of the LAW in 1941, showed that he, too, was listed among those who were to be put in a detention camp if some unspecified crisis occurred. Because no complete search of the files on writers has yet been possible, there is no way of knowing how many were on Hoover's Custodial Detention list (later renamed the Security Index). I do know that I was on this list, at least for a while.

Scheduled to join Dreiser and others in a concentration camp was John Howard Lawson, well known for his plays, films, scholarship, and leadership in the Hollywood community. Surveillance of Lawson was particularly intense, and his file included such matters relevant to national security as this: "7PM Lawson was observed putting trash out at curb." The report on his active relationship to the League is entirely blacked out in his file on the excuse that leaving this entry intact could reasonably be expected to reveal the identity of a "confidential source"—in other words, an informer in the League.

Another writer subjected to intense surveillance was League vice-president Langston Hughes, an African-American. Time and again people wrote to the FBI to ask if Hughes was a Communist. Usually they asked because he was being considered, or had been announced, as a speaker before some organization. One who made such an inquiry was George Bush, at that time a congressman from Texas.

Hoover diligently replied to these inquiries. He explained that he could not give out information from the FBI files, but then he went on to list public sources of negative information about Hughes, including testimony given against him before the Dies Committee, which got much of its information from the FBI. What Hoover thought of Hughes' poems appears in his file. A favorite for FBI scrutiny was "Good-bye Christ" which Hughes withdrew from circulation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the 1950s as he himself finally went into retreat during the terror of the McCarthy period.

Hughes was not the only one whose writings were collected by FBI agents. Many poems by many writers are preserved in the J. Edgar Hoover Building in Washington, along with essays and short stories and dramatic pieces. It occurs to me that some enterprising publisher might do well to put a researcher to work looking up these literary works. An anthology of the writing that Hoover regarded as a threat to national security would be fascinating reading. It might even throw some light on the colossal fraud that was the Red Scare stirred up by the FBI and other me-too intelligence agencies.

From the history of the LAW comes this additional example on the international scene. The League helped to rescue from Europe, just ahead of Hitler's armies, Otto Katz, a Czech who was one of the authors of a widely circulated piece of anti-Nazi propaganda known as *The Brown Book of the Hitler Terror.* The League also temporarily frustrated efforts of the Department of Justice to deport Katz once he had reached the United States. Katz, also known as Andre Simone, finally had to sit out the war in Mexico, where he did what he could against Nazism, lecturing on the subject to tourists from North America.

Katz returned to Czechoslovakia after the war and I lost track of him until one day I read news reports that he had been hanged as a spy for some capitalist intelligence organization. I could not believe that the man I knew had worked for the powers I was sure he opposed. Then, years later, another news story reported that a Czech court had found Katz, and others who had been hanged with him, not guilty after all. Otto Katz was "rehabilitated." Little good this did him in his grave.

If Katz was innocent, how could he have been found guilty? Twenty-two years after he was executed I came across the answer in a book, *Operation Splinter Factor* by Stewart Steven (Lippincott, 1974). Steven was a journalist for major British newspapers and seems to have had excellent connections with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

British intelligence. In great detail Steven reported a secret plot that led to the execution of Katz and many of the brightest communist leaders in Eastern Europe.

The plot began when a Lt. Col. Josef Swiatlo, one of the most powerful Polish Communists, let British intelligence know that he wanted to defect. British intelligence turned Swiatlo over to U.S. intelligence and he fell into the lap of Allen Dulles, who would soon become head of the CIA. Dulles sent word to Swiatlo saying, in effect, "we will give you asylum if you stay in Eastern Europe for a while and do a chore for us." The chore was to persuade Stalin, who was paranoid, that able Communist leaders in Eastern Europe were really secret agents of hostile countries. Swiatlo did as he was told—did it very well—and many of the intelligent men who could have guided the affairs of Eastern Europe were liquidated. This left only party hack Stalinists in charge of that area, and their self-destructive deficiencies helped to quash healthy development that might have taken place in their region.

Anti-Communism scored big with this caper. It also did much to limit the usefulness of the LAW and of writers generally. Howard Fast has reminded us that the FBI killed the social novel. We may want to keep such events in mind as we give thought to how writers—and citizens generally—can climb out of the present dark hole in which they find themselves. As we do so, we might consider the case of the German novelist Stefan Heym. At one point in the 1930s, when he was an anti-Nazi refugee in the United States and making his living as a printing salesman, Heym used to frequent the office of the League. After the war he settled in East Germany. There he opposed the wrong turns that led that country to disaster, and he had to publish his novels abroad.

Currently Heym is a candidate of the Party of Democratic Socialism in an election for the Federal Parliament to be held in October in united Germany, and the resurgence of the left is such that he may well be elected. If this happens, he will be the oldest member of the parliament and as a matter of protocol will preside over its opening session.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Even if Heym is not elected, the left in the United States can take heart. Major resistance to "the market" is developing in Germany, the center of capitalist strength in Europe. If this can happen in Germany, it can also happen in the United States. Citizen writers, if they persist here, can shake off the effects of Writergate and assume a more creative role in society—a role akin to the one they sought in the days of the League of American Writers.

BULLETIN
OF CONCERNED ASIAN SCHOLARS

an independent voice on modern and contemporary Asia, for more than twenty years exposing injustices and exploring social change

a 72-page, illustrated, readable quarterly that welcomes unsolicited articles, reviews, interviews, translations, and photo essays; refereed by specialists; international in editors, authors, and readers

INTRODUCTORY OFFER!
One year for $18

Subscriptions: $22.00
Free index and guide to back issues;
guidelines for BCAS authors
BCAS, 3239 9th Street, Boulder, CO 80304-2112 U.S.A.
Telephone: (303) 449-7439

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CORRESPONDENCE

E.P. Thompson's Quarrel with Post-1880 Marxism

by Jack Weston

This is just a brief addition to J. Quinn Brisben's admirable review of the last book by E.P. Thompson, my favorite historian (after Karl Marx) about my favorite poet (after none), William Blake (*MR*, September 1994). I wish to suggest that Thompson's most valuable concept, central to his vision, the history-making reality of human desire and moral self-consciousness, lies outside the tradition, not of Marx, but of post-1880 Marxism and calls out for its revision.

At the end of his last book, Thompson tells us what William Blake has to offer to democratic socialists today, which they will not find in the Marxist tradition: "The central antinomian affirmatives of *Thou Shalt*: Thou Shalt Love, or Thou Shalt Forgive." These affirmatives are "antimonian" because they are not affirmed by reason through natural law or by institutionalized law or tradition but express interior, individual desire for human community where all are fulfilled by equality and freedom. Thompson continues with a call for revolutionary action and, characteristically, a sidelong dig at Marxism:

> these affirmatives cannot be easily derived from materialist thought today. That is why every realization of these values (such as Blake's) is a plank in the floor upon which the future must walk (p. 228).

In *Customs in Common* (1992), Thompson again writes of the needs to awaken this human desire, at present usurped by the killing and destructive selfish desires imposed for profit by capitalists. If we continue to define our "needs and satisfactions in material market

---

Jack Weston is the author of *The Real Cowboy*, published by New Amsterdam Books.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

terms," we may "threaten the species itself . . . with ecological catastrophe."

> We shall not ever return to pre-capitalist human nature, yet a reminder of its alternative needs, expectations and codes may renew our sense of our nature's range of possibilities. Could it even prepare us for a time when both capitalist and state communist needs and expectations may decompose, and human nature may be made over in a new form? (p. 14-15)

The dawning of this communist utopianism of Thompson's led to his break with the party in 1956 and informed his thought thereafter to the end. At its heart is his belief in the self-conscious desire of human nature taught to him by Marx first, then William Morris. Central to Morris's socialist writings and activism was, as Thompson expressed it "the appeal to the moral consciousness as a vital agency of social change" (*William Morris*, 1976, p. 721).

Thompson's vindication of Morris's utopianism and the agency of human desire involves him once more in severe reproaches to the post-1880 Marxism which repudiated Morris (as it later did Thompson). Marxism's rejection of Morris involves,

> the whole problem of the subordination of the imaginative utopian faculties within the Marxist tradition: its lack of a moral self-consciousness or even a vocabulary of desire, its inability to project any images of the future, or even its tendency to fall back in lieu of these upon the utilitarian's earthly paradise—the maximization of economic growth (p. 792).

His conclusion: "What Marxism might do, for a change, is to sit on its own head a little in the interests of socialism's heart" (p. 807). The heart of socialism is Morris's and Thompson's central concept of humanity's desire. We cannot hope for a better society if we do not want it enough to define it for ourselves and to struggle for it.

Honest education is dangerous to tyranny and privilege: and systems like the capitalist system, kept in vogue by popular ignorance, churches which depend on it for priestly authority, privileged classes which identify civilization with the maintenance of their privileges, and ambitious conquerors and dictators who have to instil royalist idolatry and romantic hero-worship, all use both ignorance and education as underpinnings for general faith in themselves as rulers. Such corruption is at present universal. Democratic education cannot be tolerated under capitalism because it inevitably leads to communism, against which capitalism has to defend itself by systematic propagation of capitalist doctrine and vilification of communist teachers. —George Bernard Shaw

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Correspondence

by Roy H. May

Globalization, as Arthur MacEwan explains (*MR*, April 1994), "is a very destructive and painful process," especially so for Latin American peasants. Indeed, MacEwan may be correct in his conclusion that NAFTA is likely to mean the "final extinction" of Mexican peasants as a class, "as they are driven off the land by competition from large-scale U.S. grain producers." They certainly will be driven off their land and increasingly marginalized from effective participation in the national economy. Still, the more likely scenario may not be extinction, but rather precarious survival at ever deepening levels of pauperization and misery.

This is not specific to Mexico. Pressured by modern capitalist agriculture and an ever increasing de-emphasis on food production for the domestic market, the extinction and complete proletarization of Latin American peasantries have long been predicted. Neoliberal economic policies have forced many to become part of a genuine rural proletariat, working on plantations and other large estates. Others have migrated to the cities and joined the informal sector of the economy. Free trade will only accentuate this break up of peasantries. The *ejido* has somewhat protected Mexican peasants, but even there economic policy has hardly been peasant-friendly. Logical prediction points to the disappearance of peasants as a class. NAFTA and "free trade agriculture" are simply the crystallization of policies that have undermined Latin American peasantries for years. Yet peasants have not disappeared.

Roy H. May teaches theology and ethics at the Latin American Biblical Seminary in San José, Costa Rica. He has been in Latin America since 1973. His book, *The Poor of the Land: A Christian Case for Land Reform*, was published by Orbis Books in 1991.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Peasants or *campesinos* are survivors. First of all, their sheer numbers are constantly increasing. Between 1950 and 1980, the campesino population grew by 44 percent to around 130 million people—in spite of exploding urbanization. Furthermore, they do not easily give up being campesinos. They take jobs as peons on the big estates, but still work their own tiny farms. The women seek employment on nearby flower and ornamental plant plantations, but keep up the household (and still tend the animals!). A son or daughter earns cash in the city but shares it with the family back on the farm. If campesinos have some land of their own, they will wall off part and work a smaller parcel or plant corn and beans in the ditches along highways. If they lose their last garden plot, they will "invade" an unused piece of land on a nearby cattle ranch or banana plantation, or push into national parks and nature reserves. The point is that peasants resort to a myriad of tactics to survive as peasants. They will do almost anything to hang on to a piece of land (or to get another if they lose it) because land is their final security. Even full-time agricultural workers frequently have a parcel somewhere. Someone in the family—probably a woman—is always a farmer who provides for the others.

Indeed, the role of women may be the key to the persistent survival of campesinos. The men are the most likely to go looking for a cash-paying job, leaving the farming to the women. The feminization of rural work, either as agricultural workers, especially seasonal, or as cultivators, is evident in many parts of Latin America. *Maquila* and other industry located in rural areas tend to employ large numbers of women. The physical proximity between their remunerated work and peasant household permits women to continue working the family land and therefore maintain and reproduce the peasant sector.

Certainly this peasantry is not the idyllic, traditional peasant family tilling the soil for a nice subsistence living. But neither is it incorporated into the capitalist sector as a proletariat completely severed from the land. Indeed, its economic logic continues to be family reproduction, not the accumulation of surplus. It is a battered, fragmented, and increasingly impoverished peasantry ever adapting to whatever survival demands.

Globalization may mean the extinction of Latin American peasants, but I believe that survival is more likely. That is not necessarily encouraging. Class extinction might be preferable to ever increasing pauperization.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

The Reserve Armies of the Insecure

by Bertram Gross

Nancy E. Rose, *Put to Work: Relief Programs of the Great Depression* (New York: Monthly Review Press, 1994).

William Bridges, *Job Shift: How to Prosper in a Workplace Without Jobs* (New York: Addison-Wesley, 1994).

Kevin Phillips, *Arrogant Capital: Washington, Wall Street, and the Frustration of American Politics* (Boston: Little Brown, 1994).

Richard Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order* (New York: Simon & Schuster, 1994).

Richard Lewis Siegel, *Employment and Human Rights: The International Dimension* (Philadelphia: University of Pennsylvania Press, 1994).

Michael D. Yates, *Longer Hours, Fewer Jobs: Employment and Unemployment in the United States* (A Cornerstone Book; New York: Monthly Review Press, 1994).

Sheila D. Collins, Helen Lachs Ginsburg, and Gertrude Schaffner Goldberg, *in conjunction with Ward Morehouse, Leon Rodberg, Sumner Rosen,* and June Zaccone, *Jobs for All: A Plan for the Revitalization of America* (New York: Apex Press, 1994).

Although capitalist society has changed enormously since the writings of Karl Marx, it still produces a "relative surplus population." During periods of stagnation and average prosperity, the reserve army of the unemployed still "weighs down the active labor army." Enforced idleness for large numbers of people is accompanied by the frantic overwork of still larger numbers, who are underpaid, temporaries, part-timers, and/or deeply insecure.

Bertram Gross is Distinguished Professor Emeritus, Hunter College, City University of New York and visiting Professor-at-large, Saint Mary's College of California. He authored the original Full Employment Bills of 1944 and 1945 and was chief drafter of the compromise Employment Act of 1946 (which gave him employment as Executive Secretary of President Truman's Council of Economic Advisors), and the early versions of the Full Employment and Balanced Growth Act of 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Marx divided the reserve army into three parts. The "floaters" were those with irregular employment. The "latent" were agricultural laborers constantly attracted toward urban areas and standing "with one foot already in the swamp of pauperism." The "stagnant" were the "dangerous classes," which included orphans and the demoralized. All these are alive today, with the "latent" including industrial, service, and middle-class employees. Their numbers are expanding due to the paradoxical fact that, absent wars or preparations for wars, the world's capacity to produce far exceeds internal or export demand. In the aftermath of the late Cold War, deep new anxieties have replaced old fears of a nuclear Armageddon. Plagues of deep personal insecurity have been sweeping across the entire capitalist world. In "developing nations" un- and underemployment accompanied by inflation are catastrophic. In former Communist countries, where unemployment had allegedly been abolished by putting most adults on payrolls, open unemployment is rapidly growing. Most high-technology capitalist countries openly acknowledge recessions or persistent business cycles.

While the United States is in a mild "recovery for the few," real joblessness remains much higher than the official figures, and even officially estimated poverty has been rising. In deep gulags of rural as well as urban depression, millions of anxious people have been losing self-respect and confidence in the future. The result has been scapegoating, ethnic conflict, cynical inactivism, political apathy, and indifference toward elections dominated by big money and by candidates who, while boasting about "moving forward," distract attention from the plagues or, when pressed, offer opiates only. Thus old and new style demagogues have risen to strategic positions of power in the divided corporate and government establishments. Some of these exhibit well-guarded tendencies toward "feel-good," "friendly," or "unfriendly" fascism. In other parts of the world, religious fundamentalism, civil or ethnic wars, and new forms of fascism stalk the land.[1] People everywhere face the paradox of unmet basic needs in the midst of unused labor, localized mass depression in the midst of elite opulence, and massive insecurity despite gigantic spending in the name of national security. While two thirds of the world's population lives in poverty or insecurity, transnational corporate elites maintain this situation by measures to weaken (or destroy) organized labor, co-opt intellectuals, and promote toleration of the intolerable.

These books all relate in one way or another to the reserve army of the unemployed. In *Put to Work: Relief Programs of the Great*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Depression, Nancy Rose offers a valuable interpretation of how the early New Deal reacted to the enormous labor surplus of the Great Depression era through direct employment-creation programs. A brief summary plus some additional comments may be helpful for those who lived through this era and need their memories refreshed and for the larger number of younger people who never learned about it from their elders, history courses, or readings.

First of all, Rose documents the usefulness of most of the work that was done, thereby disposing quickly of the reactionary allegations that the "make-work" projects were useless. Second, she shows how most of these many job programs came into existence as the result of both spontaneous and well-organized protests by the jobless or their representatives. Third, she brings clearly into the open the bitter conflicts that swirled around the question of how much the workers would be paid. Clearly, most of the corporate elite seemed to feel strongly that if people were paid "living wages," they would be less willing to work for private employers at lower wages. The same groups also preferred miserly welfare handouts. Fourth, her detailed history shows how almost every employment program was fiercely knocked down and then replaced by another, which was itself replaced. The final program she covers was the famous Works Projects Administration (WPA), which was employing over 4 million people by 1939 when the Second World War started in Europe and signaled the WPA's demise. Finally, she documents the orientation of almost all programs toward white males. Women and African Americans had to fight their way into the picture. When they got in, it was usually with less remuneration than white males.

Unfortunately, in emphasizing their lower wages, she fails to recognize the degree of black success in winning some recognition. In 1935, as pointed out by Doris Kearns Goodwin, President Roosevelt was pressured to sign an executive order barring discrimination in the administration of WPA projects: "By the end of the 1930s, the WPA was providing basic earnings for one million black families; three hundred thousand black youths were involved in NYA training programs and another quarter million were serving in the CCC."[2] Goodwin quotes a delegation of black social workers as saying that "for the first time, Negroes, men, and women have reason to believe that their government does care." This comment highlights one of the internal contradictions of government employment programs. On the one hand, the people employed under them indeed learned that government could take positive steps to provide truly useful work for the jobless, including many opportunities for truly creative

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

contributions. On the other hand, they also learned from their bitter "on again, off again" experience how insecure such jobs have been under a system that seems to need reserve armies of the unemployed. I remember meeting personally, in 1938, with Herbert Benjamin, the Communist leader of the Unemployment Council and David Lasser, the Socialist leader of the Workers' Alliance. Both of them were downhearted. The morale of WPA employees was so low, they told me, that they could not organize them properly anymore. It would be helpful if Nancy Rose could continue her valuable research by examining the difficulties faced by those who tried to organize CETA workers during the Nixon and Ford administrations.

Hailing "The End of the Job" in *Job Shift*, management consultant William Bridges argues that it must be tolerated as a fact of life. In a clever word shift, he points out that the "job" is a social artifact created during the Industrial Revolution to fit people into highly specialized types of work. In the new world of automation, telecomputing, and the global labor market, these tight lines are disappearing. Organizations can cut costs by getting away from narrow job descriptions and having employees take on many different kinds of work, individually or as team members. In another sense, he predicts the end of good or secure job opportunities. Instead of believing politicians who talk about creating more jobs, Bridges argues, people should accept rather than deny or resist the sad fact that "jobs are disappearing . . . and for good." Most work will be temporary or contingent. Secure jobs will be increasingly held only by a small minority. Organizations will work more efficiently through cost cutting, outsourcing, downsizing, privatization, and the hiring of part-time or contract workers. Under these circumstances, most people will have to reinvent themselves as enterprises seeking a market for their abilities. Since this is difficult, they need training for new kinds of work (particularly self-employment), for preparing resumes, and for presenting themselves to interviewers. This is one of the services that consultants like Bridges offer companies seeking to downsize or relocate. Another of Bridges' services is arguing for the reinvention of unions as staff associations, for more privatization of public services, including social security, and against spreading available work through shorter hours. All this reinforces the current mainstream taboo on jobs for all or employment as a human right. Progressives should not ignore this book. It supplies corporate ideologues with a professional methodology that goes

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

beyond simple union-busting and TV hype in managing human discontent.

With a whimsical play on words, Kevin Phillips in *Arrogant Capital* continues his earlier attack on one viral source of the plagues: the escalating concentration of wealth (*The Politics of Rich and Poor*, 1990). In a semi-populist vein, he analyzes the decline of the "real economy" as contrasted with the increase of unproductive work in what *Business Week* once called the "casino society." One culprit is the financialization of the United States, "the transformation from patient capital to impatient speculation." Another is the arrogance of high-paid lobbyists and vested interests in the capital city. He finds historical precedents for the U.S. decline in the examples of the Dutch, Spanish, and British empires. In so doing, he provides a long overdue critique of the way savings are underestimated and speculation and manipulation are masked as "investment." The 1993 tax increase by Clinton and his congressional collaborators, he points out, "imposed the highest marginal rates on the upper middle-class, while the truly rich (the richest 100,000 families) kept a 28 percent to 39.6 percent rate structure that still retained much of the pro-investor favoritism of the 1980s." Yet while proposing progressive taxation on wealth as well as income, Phillips ignores the role of concentrated money power in buying elections. He also fails to update his earlier explanation of how more welfare for the ultra rich nurtures "apple pie authoritarianism" (*The Post Conservative Society*, 1982). Nor does he bring into the open the global aspects of his "financialization." One might get the impression that there is nothing arrogant about Tokyo, Berlin, Bejing, or the many international elite groups in the capitals of transnational capital.

In *Global Dreams: Imperial Corporations and the New World Order*, Richard Barnet and John Cavanagh deal with arrogant international capital as viral and bacterial sources of the new plagues. They present a brilliantly dismal overview of a world in which more and more people will suffer the nightmares of massive unemployment and underemployment, even though "the individual's livelihood, place, worth, and sense of self are increasingly defined by his or her job." In their view, national full employment policies, like fiscal and environmental protection policies, are becoming "obsolete, unenforceable, or irrelevant." Global culture displaces both human communication and political activism: "In bars, teahouses, cafes, and in living quarters around the world the same absence of conversation and human interaction is noticeable as family members, singly or

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

together, sit riveted in front of a cathode tube." Into this gloomy picture, they offer a strand of hope. In "local citizens movements and alternative institutions," they report, more and more people "are spinning their own transnational webs to embrace and connect people across the world." Unfortunately, they fail to include labor movements or human rights movements in their web. They end by posing the question of "whether people acting with the spirit, energy, and urgency our collective crisis requires can develop a democratic global consciousness rooted in authentic local communities." Like Phillips, they ignore the global consciousness rooted in authentic financial and industrial communities that sink deep local and regional roots to support the accumulation process.

Nor do they bring to the surface the connotations surrounding their use of the adjective "imperial." Can transnational capital be imperial without being imperialist? According to most of the older theories on this subject, particularly those describing imperialism as "the last stage of capitalism," imperialism was inevitably characterized by dire, and eventually bloody, conflict among imperial nation states. In his magisterial *The Age of Imperialism*, Harry Magdoff used the subtitle: *The Economics of U.S. Foreign Policy*.[3] Writing at the beginning of the 1980s, I detailed the internal complexity of imperial structures in "America's Free World Empire."[4] In updating such analyses today, could anyone still use such terms to describe the present structure of transnational capital? Now that the Cold War is over and both China and Russia are going capitalist, we are certainly witnessing a new age of empire that might well be characterized as "the *first* stage of truly global capitalism." In this stage, with no probability of wars among the highly developed nation states, civil wars—often approaching ethnic genocide—are widespread. While in one sense they are bad for capitalist business (who would want to invest now in Bosnia or Somalia?), they also provide many good business opportunities for producers and distributors of old- and new-style weapon systems. If this is a new age of imperialism, as I contend, ethnic conflicts—in all countries of the world—have the effect of guaranteeing that ethnic groups fight each other rather than against the plagues that make the possibility of a truly civilized world seem highly improbable.

In *Employment and Human Rights: The International Dimension*, Siegel breaks the taboo, dealing frontally with the most controversial of all human rights, the right to a decent job opportunity. He sees the lack of such opportunities as among the most critical issues in the world: "Images of mass unemployment cannot match the inten-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sity of television pictures of starving or diseased babies or of homeless adults in India or the United States. Yet the raw numbers of the unemployed and the underemployed also reach into the hundreds of millions. These numbers also represent misery and hopelessness, and often trigger crises of sickness, homelessness, hunger, violence, and early death" (p.4). He finds that "millions of the unemployed have been bought off by welfare benefits" or, as in developing countries with no public safety nets, "restrained from protest by the de-energizing impacts of despair." In contrast, he reviews the religious and conservative roots of employment as a human right, as well as the divergent approaches of Communists and social democrats. He finds the small beginnings of "an international employment regime" and a "social and human rights regime" inspired by UN and ILO declarations on human rights.

In his closing pages in *Longer Hours, Fewer Jobs: Employment and Unemployment in the United States*, Michael D. Yates updates Marx's long-forgotten statement that "the condemnation of one part of the working class to enforced idleness by the overwork of the other part . . . accelerates at the same time the production of the industrial reserve army. . . ." (*Capital*, Vol. 1, Chapter 25). Capitalism, Yates argues, "began within the shell of feudalism," eventually breaking out of the shell and proclaiming its independence. He suggests that "similarly, a new system could grow within capitalism, and eventually replace it." In his final chapter, he goes part way toward escaping older Marxian objections to human rights by quoting five of Franklin D. Roosevelt's second Bill of Rights: the rights to a job, decent housing, good education, adequate healthcare, and social security (omitting rights to adequate income, the rights of farm families, and freedom from unfair competition or monopoly). To secure these rights, he proposes a six-basket program to nurture a possible transition to socialism: (1) a full employment policy based on using surplus labor to meet "innumerable unsatisfied social needs" through the provision of useful and environmentally friendly goods and services; (2) higher minimum wages; (3) universal and comprehensive healthcare; (4) a major reduction in the hours of work; (5) controls over capital; and (6) promotion of workers' collectives and cooperatives and other "non-capitalist forms of production." A precondition for such a program would be leadership by organized labor in "the building of a multi-ethnic, multinational, and non-sexist working-class movement, both at the level of the workplace and at the level of society."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In presenting his hopes for a multinational movement, Yates clearly recognizes the existence of a worldwide corporate drive against labor organizations. The sophisticated brutality of this drive has been clearly set forth by Dan Gallin ("Inside the New World Order: Drawing the Battle Lines," *New Politics*, Summer 1994). Ma Wiepin, Gallin's colleague in one of the important international trade union Vicente Paolo da Silva in Brazil, and Maciej Jankowski in Poland echo his call. In the United States, veteran California trade unionist Jack Henning has set forth a powerful vision of global unionism. "We are not meant to be the pall bearers of the workers of the world," he says. "Global unionism is the answer to global capitalism. There is no other way." He has proposed an AFL-CIO convention call to "all the unions of the now prevailing free world." Henning's route map, according to Alexander Cockburn, is "the only one for organized labor to follow if it is to survive" (*The Nation*, 5-12 September 1994).

In *Jobs for All: A Plan for the Revitalization of America*, the Collins-Ginsburg-Goldberg trio go further than Yates in openly embracing human rights. They wholeheartedly support not only the entire Roosevelt Bill of Rights, but also the 1948 Universal Declaration of Human Rights (strongly backed by the Truman White House) and the UN Covenant on Economic, Social and Cultural Rights (long languishing for lack of presidential backing in the Senate Foreign Relations Committee). They also go further in exposing the official "numbers game" that does not even pretend to deal with underemployment, hidden unemployment, or economic security. For the trio, invisible corporate hands nurture the unemployment that "keeps wages down, renders workers more docile, easier to control, and less likely to join unions." One effect is to rob people of their dignity and foster resentment and rage, which can erupt in racism, nativism, and crime. "While not the entire answer to the crime and violence that plague our society, an ample supply of decent paying jobs would deter many youths from embarking on criminal careers." Unfortunately, they have not dealt with the corporate criminals who have been looting savings and loan associations without ever being prosecuted. If federal prosecutors would track down a few hundred of these criminals and win convictions that carried with them heavy fines (non-tax-deductible), they could then be put on parole or probation in community organizations serving the poor and the homeless. Many of my colleagues believe that truly violent criminals should not be given free board and housing. They should be fined, with the money going where practicable for victims' restitution.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

They should be given full opportunities for working off their fines through productive work at minimum or prevailing wages. The same opportunities should be provided for convicts on probation or parole. Naturally, this could only be done if there are also decent jobs for the larger number of poor people—particularly African Americans, Native Americans, Asian Americans, Latinos and Latinas—who have not resorted to crime or drugs as a way of life. But this unlikely approach would require a framework of genuine full employment as a human right.

For the Collins-Ginsburg-Goldberg trio, that framework would be a new New Deal reviving and extending Franklin D. Roosevelt's 1944 Second Bill of Rights. They concede, however, that "in a globally interdependent economy, it would be difficult, if not impossible to create full employment in one nation." So they call for a global New Deal "that raises the living standards of the world's poorest while protecting the fragile environment." Without that, "the future of life itself hangs in the balance." Accordingly, they urge a "movement with muscle," that is, one that is truly activist, multi-ethnic, multi-class, and multinational. Since part of this movement would include the arts, they devote an entire section to "expanding federal support to the arts."

Both Yates and the trio attack the currently powerful idea that large numbers of unemployed people are needed to prevent serious inflation. Yet their books fail to recognize a powerful source of this myth: namely, Paul Samuelson's equation of wage increases with price increases. In many editions of his widely used *Economics*, Samuelson appropriated the detailed historical data set forth by A.W. Phillips in relating changes in unemployment to changes in wage rates. His original Phillips curve showed a tendency for wage rates to rise more rapidly "when the demand for labor is high and there are very few unemployed." With high unemployment, in turn, wages rates would tend to fall—but because of labor's resistance would fall slowly. In effect, these findings supported Karl Marx's thesis on the role of a "reserve army of the unemployed" in preventing wages from squeezing capitalist profits.

But in presenting his version of the "Phillips Curve," Samuelson substituted price increases for wage increases, a monstrous distortion covered up by his failure to cite the original article by A.W. Phillips. Most modern economists (like Alan Blinder in his *Tough Minds, Soft Hearts* and Robert Eisner in *The Misunderstood Economy: What Counts and How to Count It*) fail to go back to the original article. The Samuelson version has now become an unchallenged supersti-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion that, in Marx's words, "weighs like a nightmare on the minds of the living." This takes attention away from other factors that promote inflation: cartel price fixing, price leadership, military spending, uncontrolled speculation, and the many entitlements to government subsidies enjoyed by the dairy, cattle, tobacco, pharmaceutical, and other industries. Burying the powerful idea of "wage-led productivity growth" (as set forth by Bowles, Gordon, and Weisskopf in *Beyond the Wasteland*), establishment economists now hail low wages as the key to growth and provide justification for Federal Reserve Board action to raise interest rates.

All these authors published their work before the 1994 "Contract with America." In this electoral platform Republicans set an example of arrogant barbarism. They shovelled scores of different subjects into ten baskets with "friendly" labels. With huge amounts of money and brilliant local organization by extremist minorities, they won 20 percent of the 39 percent of the potential electorate that voted. None of our authors anticipated the speed with which powerful forces within the United States would set an example of inflicting upon this country the same kind of austerity previously reserved for less developed countries. Thus, history does make errors for us all.

All of our authors have another element in common: they have not stayed in ivory towers. As a consultant, Bridges has probably been active in greasing the wheels for the "Newt Gingrich revolution." Barnet and Cavanagh have campaigned against the austerity policies of the international financial complex. Yates has been working with labor unions on full employment education. The trio and their colleagues have organized a National Jobs for All coalition, with its headquarters at the National Council of Churches. Rather than limiting themselves to their own geographical area, they tried to spread their net rather widely. Their most important catch was the Campaign to Abolish Poverty (CAP) in San Francisco, which had already escaped single-issue sloganeering by developing a ten-point anti-poverty and full employment program. In this effort they were helped by Representative Ronald V. Dellums, one of the most creative lawmakers in the second half of this century. His staff went back to some of the legislative ideas developed during the 1980s by Representatives Augustus Hawkins and John Conyers. On February 24, 1995, Dellums, together with representative David Bonior (Democratic whip in the House), John Conyers, and fourteen other colleagues, introduced a "Living Wage, Jobs for All Act" (H.R. 1050), an educational measure designed to help nurture an activist move-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ment based on high ideals of democratic human rights and responsibilities. The bill's four major sections suggest a sweeping new full employment program that goes far beyond the original Roosevelt-Truman Full Employment Bill of 1945, and the original Hawkins-Humphrey proposals of 1974, before they were watered down. Like those earlier measures, the new proposal sets forth a general policy declaration, requires the President to develop a detailed program based on that policy, and looks to Congressional leadership in developing full employment legislation and budgets. The policy declaration writes into the law the eight ideals in Franklin D. Roosevelt's Economic Bill of Rights of January 11, 1944, and then updates and extends the 1944 declaration in terms that are more relevant to the current period. The President's program is to be backed up by a full employment budget in which, among other reforms, capital investments are clearly separated from current outlays. The use of ". . . recession, stagnation, or unemployment as a means of reducing wages and salaries or inflation" is expressly forbidden. The Congressional Joint Economic Committee is to present to Congress every year a "Concurrent Resolution on Economic Policy" that would take precedence over any other budget resolutions and, among other things, allow reductions in military outlays to be used as a "peace dividend" for improving social, environmental, and infrastructure programs.

"Without authorizing any additional funds," Dellums says, "it would mandate the transformation of the entire U.S. budget of more than $1.5 trillion into a full employment budget to replace the current ideological commitment to a smoke and mirrors budget reduction. With less jobless and poor people receiving transfer payments and more people paying taxes, government borrowing would be used mainly to finance long-term investments in the country's future."

"Our Bill is a call to historical sense of justice and fairness," Dellums says. "We need to reclaim the richness of FDR's vision and, without nourishing expectations. One of the most important functions of Congress is to help educate the American people. We look forward to doing this, and in the process educating ourselves on the requirements of a Jobs for All Society."

Ms. Ying Lee, a senior aide to Mr. Dellums, plunges further into the educational process. "To build a movement with muscle," she says,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

we need a comprehensive legislative program to prepare the way for a 1996 Democratic Party platform that will help elect a new Congress and a Democratic President committed to reversing the damage inflicted during the Reagan-Bush-Gingrich-Dole years. We also need grassroots progressive action in all the neighborhoods, towns, cities, and counties of the country. The Living Wage, Jobs for All Bill is designed to promote, not replace, such efforts. We would like to think that under the Jobs for All umbrella that kind of program can be crystallized during 1995. Unfortunately, the media have given no attention to the introduction of H.R. 1050. This measure is powerfully written and very readable. It should be made available to all labor union members in the country and carefully read by all supporters of the new National Jobs for All Coalition and such older organizations as Common Cause and the Jobs with Peace campaign. It is imperative that all candidates in the 1996 presidential primaries be confronted directly by strong and persuasive demands for decent job opportunities as a human right.

Barbara Arms, director of the Campaign to Abolish Poverty adds a more specific note:

> President Clinton has spoken vaguely about a New Covenant to replace the reactionary Contract with America. But in the confusion following NAFTA and GATT, the U.S. labor movement and its allies among environmentalists, women, and minorities have not yet organized a constituency behind the kind of comprehensive program that would provide a full employment peace dividend. This can be done by March 1996, when the California presidential primary may well be decisive in setting the tone for the entire presidential campaign. In 1994 the San Francisco central labor union helped bring full employment back to some people's minds by sponsoring a jobs-for-all caravan that wound its way through every neighborhood in the city. By early 1996 we can do better. We can put on our marching shoes and appeal to all true democrats (old or new) wherever they may be to mobilize jobs-as-a-human-rights constituencies throughout the country.[5]

I have some reservations. First of all, the power of international capital can be countered, as John Henning points out, only through international labor organization. Unfortunately, the current leaders of the AFL-CIO are not yet contemplating a world labor conference, let alone extending their own organizing efforts into Latin America or Asia. Second, in the less developed countries of the world, where poverty, unemployment, and insecurity are reaching even more tragic proportions, few labor leaders or human rights advocates have yet to demand fulfillment of the many United Nations declarations proclaiming the need for more and better jobs. One of the problems is that a whole generation of so-called "Marxists" seems to have rejected full employment on the ground that it is unfeasible under

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the current system. Their disinclination to support either the 1944 Bill of Economics Rights or propose a new bill of economic rights and responsibilities has the effect of offering no alternative to the plagues that are sweeping across the world. If the reserve armies of the insecure have no intellectual or political leaders capable of uniting them on behalf of basic human rights and freedoms, the many "breakdowns" in capitalist countries will lead to new forms of barbarous tyranny. Better, as Yates urges, new systems within capitalism itself—and certainly much better than empty slogans about some future "socialism" that would come either automatically or as the presumed result of some bloody violence. "The present society is no solid crystal, but an organism capable of change, and is constantly changing." These words of Karl Marx, written in 1867, are also applicable to today's effort to improve the lives of the mostly leaderless and hopeless reserve armies of the insecure.

NOTES

1. Bertram Gross, *Friendly Fascism: The New Face of Power in America* (Boston: South End Press, 1982). Although this 1982 analysis is in some ways out of date, one can still maintain, as I do in the paperback preface, "The New Bill of Frights," that five battalions are now marching against whatever democracy we have and whatever stronger democracy we are trying to create. The first are the open extremists, some of them dispensing the superficiality of so-called "fundamentalism." The next three are still more powerful. The second: the battalions of transnational corporations. The third: the machismo militarists, still continuing to defend excessive military spending despite the Cold War's end. The fourth: the opponents of universal human rights. The fifth column is the most dangerous of all, it resides in people's minds. The best illustration of this is the current taboo on the idea of claiming decent jobs as a human right that is negated by almost all varieties of modern capitalism.
2. Doris Kearns Goodwin, *No Ordinary Time: Franklin and Eleanor Roosevelt: The Home Front in World War II* (New York: Simon & Schuster, 1944), p. 163.
3. Monthly Review Press, 1969.
4. "The Takeoff Toward a New Corporate Society," in *Friendly Fascism.*
5. Campaign to Abolish Poverty, #306, 943 Market St., San Francisco, CA 94102. Telephone (415) 397-4911. Fax (415) 434-3110.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Financial Transformation for What?

by Paul Burkett

Gary A. Dymski, Gerald Epstein, and Robert Pollin, editors, *Transforming the U.S. Financial System: Equity and Efficiency for the 21st Century* (Economic Policy Institute Series, Armonk, NY: M.E. Sharpe, 1993) 364 pp. $24.95 paperback.

"The U.S. financial and monetary system is broken and needs to be fixed": so begins the introduction to *Transforming the U.S. Financial System* (hereafter *TUSFS*). This book is packed with informative analyses of the immense waste and the outrageous inequalities brought on by the 1980s financial explosion and its aftermath. The main weakness of *TUSFS* is its non-structural treatment of the financial explosion and attendant malfunctions, which leads to a politically limp position on "what needs to be fixed," not only in the financial and monetary sphere but in the whole economic system. Rather than attempting a chapter by chapter review here, it will be more useful to focus on some common themes in the book's analyses of recent financial problems and in its "broad approach to policy." As the editors indicate, these main themes underpin *TUSFS*'s "consistent set of proposals." (p. 4)

The most documented theme in *TUSFS* is the extreme divergence between the effects of the 1980s growth of debt and speculative finance on the one hand, and the conditions for efficient and equitable socioeconomic reproduction on the other. While the number of jobs paying even a decent living wage was eroded, an increasing portion of savings and credit was channeled toward

Paul Burkett teaches in the Department of Economics, Indiana State University. The author thanks Doug Henwood, John Bellamy Foster, Victor Wallis, and Marty Hart-Landsberg for helpful discussion.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leveraged buy outs, commercial real estate, and other socially and economically questionable activities. Banks became big players in the money-market capitalism of the 1980s while simultaneously "redlining" many African Americans and other working-class people and communities out of the financial markets—often leaving the latter dependent on pawn shops, check-cashing stores, and other high-cost sources of financial services. The alienation built into speculative finance capital reached its height with the use of workers' pension fund and insurance savings for anti-worker purposes: not only for leveraged buy outs but also for the more general intensification of stockholder and creditor pressures on firms. The buy-out frenzy and increased power of financial capital did not lead to a productive rationalization of corporate capital as the free market apologists argue. Greater debt-servicing burdens and other financial pressures to raise short-run returns operated at the expense of workers and their communities, taking the form of layoffs, plant shutdowns, work speedups, and wage and benefit cuts. These are typically ignored by free market analyses of the "net gains" from buy outs.

The questionable lending practices of banks and savings and loans were ultimately backed by the taxpayers and the Federal Reserve. This fact brings us to a second main theme of *TUSFS*: that an important cause of increasing financial fragility and bailout fiascos lies in the extension of public protection of financial institutions and markets simultaneous with their deregulation. Sometimes this deregulation has been explicit, as in the cases of banks and thrift institutions. In other instances it has been implicit, as authorities have passively accepted the development and growth of financial instruments (like money market funds), markets (such as the exploding futures and junk bond markets of the 1980s), and institutions (as in the expanding operations of finance companies) which fall outside the rubric of the existing regulatory regime. Failure to extend the regulatory regime to cover such financial innovations might not have been as much of a problem if government protection were not extended to them. Unfortunately, such a *de facto* extension of the bailouts was inevitable due to the increasing role in speculative activity not only of these innovations but also of the banks and thrifts themselves.

This perspective show the limitations of mainstream financial policy debates, which often draw a conceptual dichotomy between regulation with government protection versus deregulation and removal of protection (or some combination in which each side of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the dichotomy is applied to particular markets and institutions). This is a false dichotomy if government protection is inevitable due to the widespread socioeconomic impacts of large-scale financial failures. The true dichotomy can then be seen as deregulation with protection versus protection with extended regulation. The former approach, illustrated by the proposals of Bush's Treasury Department, would lower the regulatory playing field for banks and thrifts to the level of less regulated institutions while maintaining public protection, especially for large institutions that fall in the "too-big-to-fail" category. In the second (TUSFS) approach, the regulatory field would be raised by extending regulations from banks and thrifts to other institutions while maintaining protection, excluding a "too-big-to-fail" policy which often discriminates against smaller scale, more community-oriented institutions.

Here we reach this book's last important theme: the philosophy behind its regulatory strategy. Even though *TUSFS* suggests that the erosion of the post-Second World War regulatory system by financial innovations can be reversed by applying regulations across the financial board, this leaves the principles underlying regulatory goals, institutions, and instruments to be specified. The old system combined public protection with stabilizing restrictions on competition. *TUSFS* maintains this combination but adds that protection should command a *quid pro quo* of more public control over the priorities served by financial institutions. At the same time, the book "support[s] vigorous private activity in financial markets" which does not encroach upon the boundaries of public priorities. So the preferred policy instruments mostly involve changes in the incentives facing financial institutions rather than direct controls. Under a proposal to transform the Federal Reserve into a public investment bank, for example, reserve requirements and interest rates on Federal loans to banks would be manipulated so as to channel funds toward socially productive investments (especially in environmental conversion) which create more high-wage jobs in lieu of the downsized traditional manufacturing and military-industrial complexes.

If this "social contract" is to have real community content, its administration must be subject to "broad and ongoing institutions of democratic accountability" (p. 6). It is suggested, for example, that the selective credit policies mentioned above could be applied by regional Federal Reserve banks whose directors would be popularly elected. This setup, one hopes, would "redistribute downward Federal Reserve decision making power, creating more effective

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

channels for accountability" (p. 322). *TUSFS* also argues for representative-democratic oversight of short-term monetary policy, the idea being that the Fed has been overly obsessed with inflation when slow growth, high unemployment, and small-firm credit shortages call for a more expansionary policy.

Overall, *TUSFS* is an excellent guide to the financial wreckage and associated policy quandaries bequeathed by the go-go decade of the 1980s, and to the likely loci of future financial crises and conflicts. In my opinion the book is less successful as a progressive policy manifesto because of its decidedly liberal-democratic approach.

TUSFS's proposals are not informed by a critical perspective on the long-run development of capital accumulation and capital-labor relationships. Manifestations of this development are mentioned, as when globalization of manufacturing is used to defend selective credit policies to channel funds toward job-creating investments. *TUSFS* also traces the breakdown of the old financial regime partly to the erosion of the initial conditions ("low inflation and interest rates, high liquidity, and low debt levels") which had made it relatively easier for regulations to restrict financial activity to a more productively accommodative rather than speculatively destabilizing role during the post-Second World War boom (p. 133). But the absence of an overarching historical account of such structural changes hampers the book's explanations of the financial excesses, imbalances, and inequalities of the 1980s, leading in turn to a political crippling of *TUSFS*'s progressive reform strategy.

The first symptom of this lacuna is a tendency to blame financial malfunctions on government policies, and the poor performance of the "real" economy on financial malfunctions, without rooting these problems in the historical development of capital accumulation. *TUSFS* blames the Fed's tight money policies not only for starting the last recession and for the weakness of the recent cyclical recovery, but also in major part for opening up the U.S. economy to intensified foreign competition and for the long-run decline of net productive investment relative to GDP since the 1970s. The book's section on monetary policy leaves one wondering if there are any U.S. economic evils that the Fed is not responsible for. That the pattern of Fed policy might have been in large part due to the swing in capitalist power toward finance capital, and that the latter may have been due to the movement of funds into unproductive financial areas in response to a relative stagnation of productive and privately profitable investment opportunities, is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

never seriously considered. Ditto for the possibility that intensified competition (which, like the secular slowdown in net investment and economic growth rates, is a global phenomenon) might be symptomatic of mature capitalism's tendency to accumulate more surplus value and productive capacity than it can profitably invest.

The book's dismissal of the mainstream conception in which leveraged buy outs enforce an efficient reallocation of surplus corporate funds or "free-cash-flow" neglects the possibility that these transactions really did feed upon an excess of surplus over profitable and productive investment outlets. One need not agree with Michael Jensen's apologetic view of junk-bond markets and buy out artists to appreciate the kernel of truth in the free-cash-flow hypothesis. Given that the buy-out wave did not eliminate the excess of corporate surpluses, to simply dismiss Jensen's approach bypasses a structural critique recognizing in corporate "free-cash-flow" the contradiction between social production and private appropriation.[1]

The absence of a distinct critical-historical perspective on capital accumulation leads *TUSFS* to adopt uncritically some questionable mainstream views; hence a major impression from the book is that increased private investment, productivity, and competitiveness can help solve U.S. socioeconomic problems without fundamentally altering capitalist relationships. Echoing the pre-election Bill Clinton (the one whose agenda was not limited to putting Wall Street first), the book's policy statements paper over the contradiction between industrial capital's competitive priorities and the work and living conditions of the working class. Even the passages with some sensitivity to the long-run systemic problems of U.S. capital accumulation tend to downplay or soften the contradiction between private profit and social need.

Consider, for example, the proposal to use lower reserve requirements and cheaper Federal Reserve loans to promote flows of credit toward job-creating, ecologically friendly investments. It seems likely that there will be many projects which make good sense from a social point of view but are not privately profitable even if the requisite funds are provided at zero cost, especially if we are talking about a real environmental conversion of the entire production and consumption structure, including the whole built environment, of the sort required to make the U.S. economy ecologically sustainable. Would the Fed actually pay financial institutions to make loans for these priority projects? But then why go through the formalities of "loan" transactions (or private capitalist firms, for that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

matter) for what are in essence public investments funded at public expense? And what if projects that could not privately "pay off" even at a zero cost of funds are not to be financed by the Fed?[2] What constraint would this place on priority investments, particularly when retained profits and depreciation funds (still the largest sources of investment finance in the United States) are to remain under capitalist control in a policy environment geared toward "enhancing U.S. international competitiveness"? (p. 47)

The problem here is not one of formulating a left policy package capable of immediate passage through Congress, since as even the *TUSFS* editors note, their "analyses and . . . . proposals are at sharp variance with predominant viewpoints on current economic questions." (p. 20) Rather, the difficulty is finding the most practical way to change the latter situation at least with respect to the predominant viewpoints and organized power held by the working-class majority. It seems to me that to be a strategic resource for progressive propaganda and organizing (broadly defined to include community and classroom work), intellectual interventions of the *TUSFS* type should set out an analysis and vision of the future from an autonomous working-class standpoint, that is, from an overall perspective completely distinct from mainstream capitalist ideology. In a period of long-run capitalist crisis, socioeconomic restructuring, and conservative political reaction, left proposals which limit themselves to what seems feasible or "reasonable" within the current rules of the game are unlikely to provide even defensive popular struggles with an autonomous perspective and agenda to stand upon. History suggests that the left and the working class need a theoretical and programmatic platform distinct from capital's, i.e., one not relying on the technocratic tuning up of capital accumulation to achieve progressive goals at bottom contradicted by the exploitative and competitive priorities of capital. Otherwise, left appeals to non-class concepts of efficiency, equality, and democracy will tend to be overridden by or reshaped to fit capital's priorities, especially during economic crunch periods. Meanwhile, the gains from eschewing an explicit working-class perspective, in terms of respectable-liberal support, are likely to be meager in a time when the entire mainstream-capitalist political spectrum is moving or has already moved right.

Arguably the asymmetry of class organization and power between labor and capital (the absence of an organized working-class force and agenda distinct from capital's) has been a prime barrier confronting "those already committed to greater equality and effi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ciency in our economic system."(p. 20) Capital has indeed shown no aversion to the practice of class warfare. Yet, after two decades of renewed global economic stagnation and of deregulation, anti-union crackdowns, and regressive tax and government expenditure policies reversing many of the working-class gains of the New Deal period, we still find progressive economists blaming finance capital's speculative frenzies, and the deterioration of working-class and overall socioeconomic conditions, on misguided government policies not organically related to the class struggle or to the contradictions of capital accumulation and its market forms. The problem is not just *TUSFS* stumbling over itself to reassure us that it is not anti-market or pro-government. The book espouses an artificial dichotomy between political and economic constraints on monetary and other state policies. At the same time it treats the state, markets, and capital accumulation itself not in terms of class relations but as neutral instruments of a generic "democratic will" if capitalism's political and regulatory "playing fields" could only be leveled.

Left structural reform proposals should not leave even a vague impression that "democratic will" and technocratic tinkering alone can ever be enough to reverse the disastrous socioeconomic trends of the 1980s and early 1990s. An autonomous working-class perspective must point out the need for a real change in power relationships, in and against capitalist production, markets, and the state. One way to construct such a mobilizing platform is via proposals which make good sense from the standpoint of social efficiency and equity but which cannot even in principle be rendered consistent with capitalist power relationships. Useful planks of this type include guaranteed employment at a good wage for all willing to work on socially useful tasks, as well as reductions in work-time commensurate with the rising social productivity of labor (with no reduction in total pay).[3] The prospective response of capital to such socially sensible proposals (capital flight and investment strike) can then be used to motivate the necessary strategic instruments of a popular socioeconomic restructuring program, including international capital controls and public takeovers of *de facto* publicly supported financial institutions. But it never pays to paper over the fact that concrete successes in these spheres can only be achieved if they are part and parcel of a structural transformation of state power by a mass self-conscious movement of the working class.[4]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTES

1. The U.S. non-financial corporate sector as a whole was, quite unusually, a net lender of surplus during the initial phases of the recent cyclical recovery. This was due not only to the increased flow of internal funds attendant on corporate restructuring efforts (wage and staff cuts, work speedups, etc.), but also to an abundance of excess capacity which dampened corporate investment plans relative to retained profits and depreciation funds. See Robert Giordano, "A Unique and Favorable Financial Consequence of Corporate Restructuring," *Economic Research*, Goldman Sachs, March/April 1993, pp. 1-9.
2. This second procedure seems most likely due to the *TUSFS* guideline "favor[ing] proposals that would, at most, require insignificant increases in administration as well as low levels of public outlay" (p. 6).
3. Paul M. Sweezy and Harry Magdoff, "The Responsibility of the Left," *Monthly Review* 34, no.7 (December 1982): 1-9. John Bellamy Foster, "Liberal Practicality and the U.S. Left," *Socialist Register 1990*, Ralph Miliband and Leo Panitch, editors (London: Merlin, 1990), pp. 265-289.
4. Indeed, to a major extent, "the problem is not the project but its shape and the manner in which it is elaborated . . . . It must spring from below and be discussed publicly in an open debate. There won't be a serious project without a genuine movement. But there will be no coherent movement without a vision. The intellectuals, therefore, have their part to play in this debate as keepers of the collective memory, advisers on the international comparisons, and as providers of some elements of theory. But they can do so only and exclusively as part of the movement, not as outsiders bringing theory or the truth to the working class." Daniel Singer, "The Future of Socialism," *Against the Current* 9 no. 3 (July/August 1994): 22.

We would like to call your attention to the impending danger of the first overtly political execution in the United States since that of the Rosenbergs more than forty years ago. The present case is that of Mumia Abu-Jamal, a Philadelphia journalist who was a longtime critic of police brutality and who was himself framed and railroaded in 1981-1982 on charges of killing a police officer. No physical evidence was produced; Mumia was denied his right to defend himself in court; and the two witnesses who testified against him both had previous convictions and pending charges, and made numerous changes in their accounts of what transpired. The prosecutor's final plea for conviction rested largely on citing Mumia's youthful participation in the Black Panther Party. Pennsylvania Governor Thomas Ridge may already have signed Mumia's death warrant by the time you read this; a massive public response is urgently needed. For further information contact: Equal Justice USA, P.O. Box 5206, Hyattsville, MD 20782; phone: (301) 699-0042 fax: (301) 864-2182.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ecostruggle

by Paul Buhle

Daniel Faber, *Environment Under Fire: Imperialism and Ecological Crisis in Central America.* Monthly Review Press, 301 pp., $16.00 paperback.

The politics of the environment are heating up, perhaps faster than the planet itself. The reasons for this are not hard to discern. The scramble for profits has at once been accelerated by the opening of new areas of exploitation, especially in China and the former Soviet Union, and threatened by the sensation that environmental movements in the United States and elsewhere pose, real or potential, serious limitations of capital's ability to ravage at will.

Bill Clinton, whose administration promised a new day of ecological legislation, does not mention the environment from Earth Day to Earth Day. Bruce "Babbit the Rabbit," as environmentalists have rechristened the Interior Secretary, practically limits himself to symbolic gestures and promises (like the Everglades project) with results postponed so far into the future that agribusinessmen, manufacturers, mining companies, and developers need not worry. Indeed, NAFTA and GATT constitute the most important environmental legislation passed in Clinton's first term, and there is nothing positive in them. Bush was no worse, and the work of the courts along with a Republican Congress may yet make his presidency seem almost environmental friendly by contrast.

Happily, from the socialist point of view, the news is not all bad. Newer "new social movements" following the Cold War often

---

Paul Buhle has recently produced a book and a traveling exhibit, *Vanishing Rhode Island,* on social and environmental issues; his biography of William Appleman Williams will appear in 1995.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bring together environmental concerns with a broad spectrum of social issues, from ghetto misery ("environmental racism") to the struggles of indigenous peoples and village women to maintain their available resources. Young idealists everywhere have begun to turn in environmental directions, perhaps because so many other struggles have been lost for the moment but also because the fate of the planet and its rich biodiversity epitomizes a socialist dream which lay back of Marxism.

When the cobbler-mystic Jakob Boehme, who recuperated the dialectic from the Ancients, sought in the early seventeenth century to explain all history in a single parable, he described the Tree of Life, expropriated by the Merchant for ill-gotten gains and its fruits poisoned; eons later it would be reappropriated by the common people, its life-giving power renewed. The apple of socialism has never fallen far from this tree and may now be closer than ever before. Put differently and with considerably less mysticism, consider that *Capitalism, Nature, Socialism*, the outstanding ecological journal in North America, is the child of *Monthly Review* twice over. Its editors, especially James O'Connor, share intellectual space in the history of U.S. Marxism. Its Italian edition is none other than successor to *MR*'s now-defunct Italian cousin. Readers of *CNS* therefore find themselves in new subject areas eerily familiar. They know that they have been somewhere like this before.

Daniel Faber's prize-winning *Environment Under Fire: Imperialism and the Ecological Crisis in Central America* is a brilliant piece of work by an author who, not surprisingly, is also the co-founding editor of *CNS*. A growing literature has considered the questions it takes up, but never so historically or comprehensively. Its great accomplishment is to place side by side the poisoning of the environment by U.S.-backed corporations, the political struggles of peoples to protect their surroundings, and the consequences of the overwhelming U.S. power. The results of this investigation by the former research director of the Environment Project on Central America (EPOCA) disprove absolutely the popular notion that "mistakes" have been made in U.S.-backed development but that the model and finances provided put sustainable development within reach. To the contrary, neocolonialism has never meant anything but the ravaging of the lands.

Faber gives us a long view, reminding us that the clearing of forests lands for export crops dates to the Spanish conquest and what the author rightly labels "ecological imperialism." Indigenous peoples had modified the forests but within sharp limits. The most

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

productive wetlands of the Americas, for instance, survived within civilizations of interdependence and sustainability. Spanish invaders and their diseases killed most of these people, allowing a regrowth of forest areas less rich and diverse where agriculture had been. Over centuries, conflicting European powers, agrarian caudillos, and rising merchants expanded export crops. Nineteenth-century liberals sought to eliminate indigenous claims, opening "unused" lands for coffee cultivation. Persistent labor shortages reinforced feudal-style social relations, prompted forced migration, and the degradation of the swamps and mountains where Indians fled for refuge.

Ironically, outright reactionaries (sometimes supported by romantic, anti-bourgeois poets and writers) slowed the development of commercialization by resisting the modernization that liberals wanted in every sphere of political, economic, and cultural life. On the other hand, the practical impossibility of recovering the communal lands seized for coffee estates closed off U.S.-style capitalist agriculture where individual farmers have a stake in the uses (however perverse at times) of their property. Banana production, which soon seized and degraded the lowlands, was a metaphor for the future: practically a foreign-owned enclave, it provided a butt for imperial humor. The "Banana Republics" of U.S. lore were dirty, crowded miserable places which couldn't manage their own governments. Who cared what happened to them?

The modern, post-Second World War story features vastly expanded ecological damage in the name of development. Coastal hardwoods areas disappeared along with their inhabitants. Cotton production boomed, and cattle ranching was a favorite project of the World Bank, aimed at the site of former lowland rainforests. The world's third-leading cotton-producing region, Central America, has the largest percentage of regional land-mass anywhere devoted to permanent pasture.

From any sane viewpoint, the social results would be laughable as a model of "development"—if not so terribly tragic. Workers and peasants literally absorb the costs of development in the shapes of polluted water, pesticides, and the variety of constant disease and early mortality expected. Faber describes large and growing regions as having lapsed into outright ecological crisis and virtual collapse. Countries with abundant resources, capable of supporting populations through some of the worst regimes of the several previous centuries face food shortages, decertification, and massive malnutrition. Nineteenth-century agri-capitalists who planted trees on slopes to protect their own investment were better, by far, than the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S.-installed modernists who offer lots of rhetoric about freedom but only destroy.

Faber does not spend much time dealing with the various political approaches from the U.S. side, but it is worth considering the premises that set the latest phase of environmental destruction in motion. Not the familiar pattern of gunboat diplomacy and CIA covert action (as in the overturn of the Arbenz Guatemalan reform government in 1954) but the Kennedy regime's Alliance for Progress updated familiar patterns of imperial misrule. State Department officials and close Kennedy advisor Arthur Schlesinger, Jr., proposed a sort of Marshall Plan for the Third World of the hemisphere. It promised to sponsor economic growth and land redistribution, discourage dictatorial regimes, and above all promote the expansion of a U.S.-style middle class.

But this supposed generous gesture had several giant drawbacks. Latin America was never meant to escape its dependent condition of massive export crops and become a competitor to the United States (as Europe and Japan managed to do). Intensified agrarian production meant driving mega-millions of campesinos off their remaining lands and into city slums. Land redistribution was a sort of safety valve to release excess political pressure; its main effect, as in Costa Rica, has been to open previously untilled lands (rather than the estates of the rich) to desperate peoples and to accelerate the pace of deforestation. And the key item in the package turned out, after all, to be counterinsurgency: U.S. aid lavished on armies and military hardware to crush prospective alliances for any different model of progress.

In the long run, it would be difficult to tell the policies of Kennedy and Nixon, or Ford, Carter, Bush, Reagan, and Clinton except at the level of rhetoric. No Democratic or Republican State Department slowed the corporate transformation of Somoza's Nicaragua into a pesticide-testing zone. None moved to halt or even slow the increasing applications of chemical poisons, the deadening of region after region into ecological nightmares with the surviving birds, fish, and humans carrying record levels of contamination. None intervened against the various World Bank agencies which virtually demanded deforestation.

And of course, none sought to assist the one dramatic effort at reversal of damage, which took place during the early years of the Sandinista revolution. The steps were modest, and sometimes resisted by the political leadership of the FSLN. Yet they were significant, especially in the context of Central America. The replanting

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of trees, the forced eclipse of chemical dumping, the creation of new national parks and the protection of endangered species all showed great promise. The Contras generally destroyed what they could not capture.

Worse for the region, the U.S. militarization of Honduras devastated huge, formerly forested regions in a country with no real resources but its trees. The effects of U.S.-sponsored counterinsurgency campaigns in El Salvador need hardly be enumerated: destroyed forests, the flooding and water pollution, and the targeting of environmental activists by the death squads. If the Alliance for Progress had ever been a serious program, the United States would never have spent two hundred times as much to destroy guerrillas as to restore the environment.

Today, groups like Rainforest Action Network flood the mailboxes of Congress and Central American officials with letters and cards, lobby and protest to keep worse from happening suddenly, like the Stone Container Corporation from wiping out Honduras' remaining Mosquita wilderness (and most recently, to keep other multinationals from taking the same dread intentions into forested Guyana). Or the acceleration of "garbage imperialism," the dumping of U.S. wastes, yet another growing hazard. International coalitions seek to encourage a development strategy both socially just and ecologically sustainable: the only way environmentalism can work.

The odds are great and in the short run, growing worse. But as organizations and tactics emerge to replaced the failed communist and post-communist movements, new pages are being added to the book of life.

There's no missing the dreadful toll of inner-city decay in America's urban slums. But for those outside the blighted districts, insulated by money and geography, there's a terrible paradox. As the problems of the urban poor become more toxic to those inside, their immediate impact on most Americans is becoming more distant and elusive.

In a nation now more suburban than urban, with residential segregation common, jobs increasingly following residences out from the urban core, and regional growth and corresponding political power moving away from the most affected areas, the impact of urban poverty is more like a tornado than a hurricane, ripping apart some cities, neighborhoods, and lives, but leaving others almost intact. —Peter Applebome, *New York Times*, January 28, 1991.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(Continued from inside front cover)

sections of the underlying population. The core of the ideology was classical political economy, a sophisticated body of thought that combined an explanation of the functioning of the system with a self-confident claim to its moral superiority. Like all ruling-class ideologies, this one served to protect and justify it.

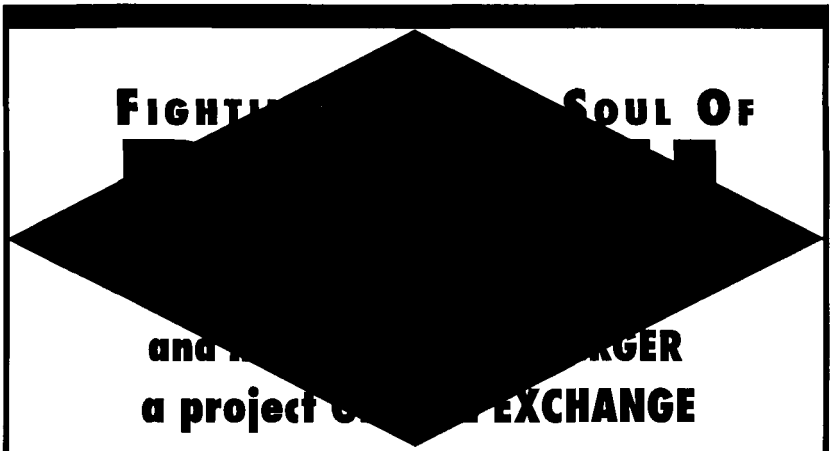
The Great Depression of the 1930s marked the turning point to dysfunctionality. So profound and pervasive was the shock that for a time the very sustainability of the capitalist system was in doubt. Here in the United States, by that time the leading capitalist nation, an astutely pragmatic political leadership presided over what came to be known as the New Deal, essentially a collection of concessions to a deeply suffering and restive population. The crisis passed, but not until a remarkable thing had happened in the realm of ideology. John Maynard Keynes, the twentieth century's foremost inheritor and continuator of the classical political-economy tradition, working during the worst years of the depression with a group of younger colleagues at Cambridge University, produced a theory which was profoundly subversive of the capitalist system. Economic thought (originally "political economy" but re-baptized "economics" in the later nineteenth century) had insisted, from Adam Smith on, that capitalism is a self-regulating and self-correcting system. It might be disrupted—by war, harvest failure, financial panic—but it would always recover on its own: an elaborate and greatly admired system of prices and incentives guaranteed it. Keynes and his colleagues flatly denied this, arguing with devastating logic that unemployment, the ultimate measure of capitalism's success or failure, was not subject to its otherwise comprehensive immune system. Their intent was not subversive: they simply wanted to provide supposedly well-intentioned governments with the knowledge needed to correct capitalism's most dangerous flaw. But the scope of capitalist governments' good intentions is strictly limited; it does not extend to meddling with the forces that determine the level of unemployment, i.e., the distribution of wealth and income, the society's propensity to save, and the prospective profitability of private investment.

These are among capitalism's holiest of holies, and anyone messing with them cannot expect to escape unscathed. The guardians of capitalist ideology promptly banned Keynes from respectable society, ignoring his good intentions and zeroing in on the subversive implications of the new theory. Since then most of his original disciples have died off or reworked his ideas into a handy kit of tools for mitigating the ups and downs of the business cycle. As for Keynes himself, there was another side to him, the good bourgeois side, which had ample opportunity to reassert itself with the coming of the Second World War. Before his death in 1946, he had been fully restored as a valuable member of the British Establishment.

What happened after the war is sketched in this month's Review of the Month and need not be repeated here. A quarter of a century of postwar and Cold War-related economic upsurge created the illusion that capitalism has regained its youth. The underlying dysfunctionality of advance

(Continued on page 18)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Brazil captures in one nation the whole spectrum of critical problems facing the post-cold war world. Terrible extremes of super-rich and super--poor, epidemic violence, racial groups and nationalities in conflict, unchecked growth threatening the environment—this is Brazil today. From the shantytowns to the auto plants to the Amazon rainforest, free marketeers and corrupt officials square off against the millions of homeless, landless, jobless, and powerless.

Fighting for the Soul of Brazil is a timely collection of more than forty pieces on the South American giant. Eyewitness reports, interviews, and political and economic analyses examine the 1994 elections, the impeachment of President Collor, the subculture of abandoned street kids, and much more. This useful, accessible reader makes clear how Brazil in the 1990s holds lessons for the world in the new century.

$15.00 PB924X paper/$30.00 PB9231 cloth/288 pp.
($3.00 P & H)

MONTHLY REVIEW PRESS
122 WEST 27TH STREET • NEW YORK, NY 10001 • (212) 691-2555

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED